Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC)

(Stock code: 6886)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The Board hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2016. This announcement contains the full text of the annual results announcement of the Company for 2016, which is in compliance with the requirements of the Hong Kong Listing Rules for the information set out in the preliminary announcement of annual results.

PUBLISHEMENT OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This results announcement of the Company will be published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.htsc.com.cn respectively.

The annual report of the Company for 2016 will be (i) dispatched to the shareholders of H Shares; and (ii) published on the websites of the Company and The Stock Exchange of Hong Kong Limited on or before 30 April 2017.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the section headed "Definition" in this announcement.

By order of the Board of Directors
Jiang Jian
Company Secretary

Jiangsu, PRC, 30 March 2017

As of the date of this announcement, the Board of Directors comprises Mr. ZHOU Yi as an executive Director; Ms. PU Baoying, Mr. Gao Xu, Mr. CHEN Ning, Mr. SUN Hongning, Mr. XU Qing and Mr. ZHOU Yong as non-executive Directors; and Mr. CHEN Chuanming, Mr. LIU Hongzhong, Mr. LEE Chi Ming, Mr.YANG Xiongsheng and Ms. LIU Yan as independent non-executive Directors.

Contents

Important Notice. 3

Definitions 6

Chairman's Statement. 10

Company Profile and Key Financial Indicators 13

Summary of the Company's Business 30

Honors and Awards 39

Management Discussion and Analysis and Report of the Board 44

Major Events 118

Changes in Ordinary Shares and Shareholders. 155

Preferential Shares 165

Directors, Supervisors, Senior Management and Staff. 166

Corporate Governance Report 201

Corporate Bonds. 264

Financial Report. 271

Index of Documents for Inspection 272

Disclosures. 273

Appendix I Main Business Qualifications 275

Appendix II List of Securities Branches. 283

Appendix III Information Disclosures Index 301

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company undertake that the information in this annual results announcement is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint liabilities to the information in this announcement.

This announcement was considered and approved at the fourth meeting of the fourth session of the Board of the Company. Director(s) absent from the meeting

Position of absent Directors	Name of absent Directors	Reasons for absence	Name of proxies
Director	Sun Hongning	Business engagement	Zhou Yi
Independent non-executive Director	Liu Yan	Business engagement	Chen Chuanming

None of the Directors and Supervisors had objections towards this announcement.

The annual financial report prepared by the CASBE and the IFRS was audited by KPMG Huazhen LLP and KPMG respectively, which issued a standard unqualified audit report to the Company.

Zhou Yi, officer in charge and officer in charge of accounting of the Company, and Fei Lei, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant and guarantee that the financial report contained in the annual report is true, accurate and complete.

The profit distribution plan or the reserve capitalization plan for the Reporting Period considered by the Board:

From the audit by KPMG Huazhen LLP, the parent company produced net profits of RMB4,638,186,983.63 in 2016, among which, 10% was withdrawn for statutory surplus reserves, 10% for general risk reserves and 10% for trading risk reserves as prescribed in the *Company Law, Securities Law, Financial Rules for Financial Enterprises* and *Articles of Association*. After the withdrawal (RMB1,391,456,095.08 in total), the profit available for distribution this year is RMB3,246,730,888.55.

The accumulative total of the profits available for distribution in cash by investors this year is the above amount plus the undistributed profits of the previous years of RMB10,929,349,736.65 and minus the dividends of RMB3,581,384,400.00 distributed by the Company this year according to the profit distribution plan of 2015, namely, RMB10,594,696,225.20.

In light of the relevant provisions of the *Guidelines No. 3 on the Supervision and Administration of Listed Companies — Distribution of Cash Dividends of Listed Companies* issued by CSRC and the *Guidelines of Shanghai Stock Exchange on Distribution of Cash Dividends of Listed Companies* and the actual needs of the business development of the Company, it is recommended that the profits be distributed as follows:

The profits of the year of 2016 will be distributed in cash. The company will pay cash dividends to all A Share holders and H Share holders named at the Register of Members on the date of such distribution for 2016. With the total number of shares at the end of 2016, 7,162,768,800.00 shares,

as the base, the Company will distribute RMB5.00 (tax included) per 10 shares, and the distribution will be RMB3,581,384,400.00 in total. The undistributed profits, RMB7,013,311,825.20 will be kept to the next year. The cash dividends will be evaluated and distributed in RMB. The A Share holders will be paid in RMB and the H Share holders in HKD. The exchange rate between RMB and HKD shall be subject to the average benchmark exchange rate released by PBOC in five working days prior to the annual general meeting of shareholders ("**AGM**") of the Company in 2016.

This profit distribution plan shall be presented at the AGM of the Company in 2016 for deliberation and the Company will pay the dividends of the year of 2016 to the shareholders within two months after the profit distribution plan is approved at the AGM and no later than 31 August 2017.

Forward-looking statements including future plans and development strategies involved in this annual results announcement do not constitute the Company's substantive commitments to investors. The investors are advised to pay attention to investment risks.

There is no non-operating misappropriation of funds of the Company by any controlling shareholders and their related parties during the Reporting Period.

The Company has not provided any guarantees in favor of others in violation of the decision-making procedures during the Reporting Period.

The announcement of the Company is prepared in both Chinese and English. In the event of any inconsistency, the Chinese version should prevail.

Warning on Major Risks

Most of the Company's assets are located in China, and a substantial majority of its revenue is derived from the securities markets in China, so the Company's business is highly dependent on the economic and market conditions in China. On the one hand, like other companies in the securities industry, the Company's business is directly affected by the inherent risks associated with the securities markets, such as market volatility and fluctuations in the trading volume. On the other hand, the Company's business is also subject to general economic and political conditions, such as macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates. The Company can provide no assurance that the favorable domestic economic and market conditions will be sustained.

In recent years, along with the continuously deepening innovation on the capital market in China, weakening barrier of license in the securities industry and the continuous diversification of securities businesses and products, the domestic securities industry is facing increasingly intensified competition, and the Company's business may be materially and adversely affected if it fails to compete effectively. Affected by factors such as the penetration of mobile device account opening and the strengthening of marketization of fee, the commission rates of securities brokerage business may continue to go downward, the trading volume in the market can hardly remain at a high level, and the spreads of capital-based intermediary business may narrow down, all of which may adversely affect the growth of the Company's brokerage and wealth management businesses. With the advancement of the reform on the regulatory system and the strengthening of law enforcement,

the investment banking business of the Company will be faced with severe challenges in various aspects such as trading execution, customer exploration, pricing and distribution capability. In the meanwhile, the income of our investment banking business may be adversely affected by the fluctuations of the capital market. Along with the tighter regulation of asset management channel business of securities firms and the intensified competition among mixed businesses or unfavorable economic and market conditions, the assets under the Company's management may be reduced or the performance of the Company's asset management may be affected, which may result in a negative impact on the Company's capacity of charging asset management fees or performance rewards. Since the domestic derivatives market still needs to develop and improve, it is difficult for the Company to effectively defend itself from market risks. In the meanwhile, the Company actively takes measures to maintain the stability of the capital market, conducts return swaps trading transactions twice with China Securities Finance and sharply expands the scale of directional investment, The performance of the Company's investment and trading business is closely related to the performance of the domestic securities market. The Company strives to expand its business coverage and provide new products and new services, while business innovation may cause the Company to be exposed to increased risks or additional risks.

During the Reporting Period, the regulatory rating of the Company has been lowered to BBB under Category B, which may limit the Company's abilities to carry out pilot projects and launch new businesses, and the Company's performance and profits and subsequent conduction of innovative businesses may be affected. Due to the expansion of the Company's traditional and innovative businesses, the Company needs to maintain sufficient liquidity for business operations, and in the event that the cash generated from the operating activities is not sufficient to meet the liquidity or regulatory capital requirements, the liquidity, profit and businesses of the Company may be adversely affected. The Company follows its internal risk management framework and procedures to manage risks, while the risk management policies, procedures and the internal control of the Company may not reduce the risks in a sufficient and effective manner or enable the Company to avoid risks not identified yet or unpredictable. In the meanwhile, under the rapidly developing market conditions, the information and empirical data on which the risk management methods of the Company are based may become inappropriate due to changes in the market and regulatory environment. The Company's operations depend on key management and professional staff, and the success of its business is dependent to a large extent on the continuity of its senior management and its ability to attract and retain key personnel. However, the market is filled with intensified competition for outstanding professionals, and if the Company is unable to attract or retain such key personnel, the Company's business and prospects may be adversely affected. As a pioneer for the application of IT in the securities industry, the Company considerably relies on its IT system to record in time and precisely process transactions and provide on-line products and services, and the information technology failures may cause the Company's business operations to be adversely affected. Any force majeure, natural disaster or outbreak of any epidemic or infectious disease in the future may restrict the Company's business activities in affected regions, which, in turn, may cause the business, financial condition and operating results of the Company to be materially and adversely affected.

For the specific analysis on various types of risks and the specific measures already or to be taken by the Company, please refer to the various risk factors in operating activities and control measures.

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

Definitions

"A share(s)"	Domestic share(s) with nominal value of RMB1.00 each, which are to be subscribed for or fully paid in Renminbi and listed for trading on the Shanghai Stock Exchange
"AssetMark"	AssetMark Financial Holdings, Inc.
"Articles of Association" or "Articles"	the currently effective articles of association of our Company, as amended
"Board" or "Board of Directors"	the board of directors of our Company
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on 28 December 2013 and became effective on 1 March 2014
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Group," "our Group," "we" or "us"	our Company and its subsidiaries, and their respective predecessors
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"HK$", "HKD" or "HK dollars"	the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong(香港證券及期貨事務監察委員會)

"Shanghai Stock Exchange" or"SSE"	the Shanghai Stock Exchange (上海證券交易所)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)
"IFRS"	the International Financial Reporting Standards
"IPO"	the initial public offering
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"CASBE"	the China Accounting Standards for Business Enterprises
"PBOC"	the People's Bank of China (中國人民銀行)
"QFII"	Qualified Foreign Institutional Investor
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Supervisor(s)"	supervisor(s) of the Company
"Board of Supervisors"	the Board of Supervisors of the Company
"Shanghai Clearing House"	The Interbank Market Clearing House Co., Ltd. (銀行間市場清算所股份有限公司)
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"Jiangsu SASAC"	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省人民政府國有資產監督管理委員會)
"Jiangsu Guoxin"	Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)

"Jiangsu Securities Regulatory Bureau"	Jiangsu Securities Regulatory Bureau of the CSRC (中國證券監督管理委員會江蘇監管局)
"Communications Holding"	Jiangsu Communications Holding Company (江蘇交通控股有限公司)
"Huatai Securities", "our Company", "Company"	a joint stock company incorporated in the People's Republic of China with limited liability under the corporate name 华泰证券股份有限公司 (Huatai Securities Co., Ltd.), converted from our predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on 7 December 2007, carrying on business in Hong Kong as "HTSC", and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese approved name of " 華泰六八八六股份有限公司 " and English name of "Huatai Securities Co., Ltd."; the H shares of which are listed on the main board of The Stock Exchange of Hong Kong on 1 June 2015 (stock code: 6886); the A shares of which are listed on the Shanghai Stock Exchange on 26 February 2010 (Stock Code: 601688). Unless the context otherwise requires, it includes its predecessor
"Huatai United Securities"	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), a holding subsidiary of the Company
"Huatai Futures"	Huatai Futures Co., Ltd. (華泰期貨有限公司), a holding subsidiary of the Company
"Huatai Zijin Investment"	Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of the Company
"Huatai Asset Management"	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券 (上海) 資產管理有限公司), a wholly-owned subsidiary of the Company
"Huatai Financial Holdings (Hong Kong)"	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股 (香港) 有限公司), a wholly-owned subsidiary of the Company
"Huatai Innovative Investment"	Huatai Innovative Investment Co., Ltd.(華泰創新投資有限公司), a wholly-owned subsidiary of the Company
"Jiangsu Equity Exchange"	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a holding subsidiary of the Company
"China Southern Asset Management"	China Southern Asset Management Co., Ltd. (南方基金管理有限公司)

"Huatai-PineBridge"	Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"Reporting Period"	the year of 2016
"OTC"	over-the-counter

In the 2016 Annual Results Announcement, any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

Chairman's Statement

Dear Shareholders,

The year of 2016 was the 10th year since Huatai Securities embarked on the road to comprehensive reform and transformation. After ten years' strategic efforts, we gradually transformed into a leader in the age of industry transformation and a forerunner of key business areas from an enterprise in the securities industry that relied heavily on traditional brokerage business. With this opportunity, we would like to share some of our thoughts here.

In order to motivate reform and transformation, one should change the habitual thinking and reliance on old ways as well as possessing the courage to be the first to exploit a new path to differentiation and excellence. In view of this, commission income from the brokerage business is no longer our sole pursuit, and we no longer rely on the passageway investment banking business. We refuse to drift with the current and we re-discover the original nature of financial services — client-oriented the concept. In this way, we embrace the use of Internet, transform our organisation structure and reshape the business system, forging the core abilities of comprehensive full-service-franchise businesses.

As at the end of 2016, the Company's total assets amounted to RMB401,450,397 thousand, with RMB84,357,457 thousand of total equity attributable to the Company. The Company's revenue and other gains reached RMB24,631,628 thousand, with RMB6,270,612 thousand of profits attributable to the shareholders of the Company for the year. Although the Company's overall performance experienced a marked decrease due to market adjustments, the decrease was significantly below the industry average. Meanwhile, the revenue structure and business structure were further optimized, the proportion of income from non-channel business increased obviously, and the development pattern was more adaptable and responsive to the policy and market changes. Our perseverance has laid a solid foundation for the next stage of reform.

Thanks to our adoption of the mobile Internet strategies, we have ranked the first for three consecutive years for the market share of equity fund trading volume of our brokerage business and the volume kept growing for four consecutive years, reaching 8.85% in 2016, which was ahead of our counterparts in the industry. The number of monthly active users on the mobile financial service terminal, ZhangLe Fortune Path, ranked the first among Apps of securities companies. The capital intermediary business ranked the third in the industry for three consecutive years.

Through upholding marketization and professional services, our investment banking business has made the most rapid growth among all investment banks. The bold and decisive reform on organizational structure has laid the foundation for transformation. The merger and acquisition business has driven the development of businesses such as IPO and refinancing, and been focusing on the emerging industries and completing various cross-market landmark projects. In 2016, our merger and acquisition business ranked the first in the industry by the number of projects in the industry for the five consecutive year. Equity underwriting ranked the third in the industry by volume, reaching a record high.

The scale and ranking of our asset management business kept improving and has ranked in the top tier in the brokerage asset management industry. The total AUM of the asset management business has exceeded RMB880 billion, standing at the forefront of the industry. The fixed income products have been improved and the advantages of investment have been further consolidated. Asset securitization has established a leading position in the industry.

As for the field of investment and trading, we insisted on the non-directional strategy and achieved positive returns for equity investment market environment in 2016. We have also set up a comprehensive FICC business system, which has effectively prevented the company from negative imparts of the major adjustment of the bond market at the end of 2016 and dominated the market in terms of relative risk return rate.

Considering the asset allocation demand of high net worth clients and learning from the customer service system of mature markets, we successfully completed the acquisition of the U.S. company of AssetMark in 2016, which can provide a powerful platform for wealth management transformation and the connection with international resources. It shows that we have taken a key step in the layout of international development.

We often review and reflect on our previous performances so as to look into the future and get better prepared for the upcoming challenges and changes What we have achieved should not become the burden of our transformation. The implementation of every strategy is based on the accumulation of made efforts over the years, and it is always easier said than done. Therefore, we shall have the utmost determination and courage to make constant improvements so as to stand out among peers and become a first-class comprehensive financial institution.

The key direction of current domestic financial reform of the moment is to put efforts on developing into the capital market. The regulatory ideas of compliance, more stringent standards and the comprehensiveness of compliance are promoted. Under the new regulatory environment, higher standard is set for the requirements of service capability and competitiveness of securities companies. In the long term, more rigid regulations are conducive to the rapid development of organizations where clients needs are placed in priority, values are created and added and core professional abilities are the key to successes.

Looking into 2017, we will make ourselves stand out and stand firm amid the changing trend and further optimize the client-oriented service system.

To begin with, we will continue to promote the transformation from traditional retail brokerage business to wealth management business. We will explore client demands and enhance online-offline interaction, in an effort to provide further differentiated services. At the same time, we will learn from advanced overseas experience in order to optimize the service process and technology platform, enhancing the core ability of asset allocation and investment management for clients.

Secondly, we will reform the institutional business structure and enhance the advantage of the full business chain. Our investment banking business will take the lead to jointly develop the comprehensive businesses of asset management, research and trading, to enhance its influence over A shares and the Hong Kong stock market. In this way, we can provide full-cycle services to corporate clients with excellent and well-rounded expertise.

Thirdly, we will promote the strategy of internationalized development and accelerate the connection of domestic resources and international markets. Following the general trend for individual, corporate and institutional clients to make overseas investment, financing and globalized asset allocation, we can make breakthroughs in the investment banking business through cross-border acquisitions. With the onshore and offshore connection of wealth management platform, we can cater to the needs for overseas asset allocation of residents, implementing the layout with specific goals.

We strongly believe that opportunities are everywhere in this age of industry transformation, but certain confusion and challenges are inevitable as well. Therefore we must stick to clearly defined strategies and enforce the changes effectively, blazing a new trail for a better future. We look forward to another great ten years of Huatai.

Chairman and CEO: **Zhou Yi**

30 March 2017

Company Profile and Key Financial Indicators

I. COMPANY INFORMATION

Chinese name of the Company	华泰证券股份有限公司
The Chinese abbreviation of the Company	華泰證券
English name of the Company	HUATAI SECURITIES CO.,LTD.
Abbreviation of English name of the Company	HTSC
Legal representative of the Company	Zhou Yi
General manager of the Company	Zhou Yi
Authorized representatives of the Company	Zhou Yi, Jiang Jian

Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

	At the end of the current period	At the end of last year
Registered capital	7,162,768,800	7,162,768,800
Net capital	45,122,195,552.96	68,250,681,820.34

Note: the net capital at the end of last year has been restated according to Measures for the Risk Control Indexes of Securities Companies (Order No. 125 of CSRC).

Qualifications of each of the business lines of the Company

The business scope of the Company includes: securities brokerage; proprietary trading of securities; securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds only); securities investment consulting; intermediary introduction business for futures companies; margin financing and securities lending business; agency sale of financial products; agency sale of securities investment funds; custodian for securities investment funds; agency services for gold and other precious metals spot contracts and proprietary business for spot gold contracts; stock options market making business; other business activities approved by CSRC. (Projects that need to be approved by law shall be carried out upon approval by relevant authorities.)

Scope for general business: None.

The Company was established in April 1991. On 26 February 2010, the Company's A shares were listed for trading on the Shanghai Stock Exchange. On 1 June 2015, the Company's H Shares were listed for trading on the Hong Kong Stock Exchange. During more than 20 years of development history, we achieved rapid growth by seizing the opportunities of the transformation and innovation of the PRC capital markets and securities industry. In recent years, the Company focused on providing whole life-cycle comprehensive financial services for customers, and gradually formed a full-service business franchise system which is led by investment banking, underpinned by brokerage and wealth management and supported by investment and trading as well as asset management.

The Company is equipped with the membership of Shanghai Stock Exchange, Shenzhen Stock Exchange and Securities Association of China, as well as the qualification of warrants settlement of China Securities Depository and Clearing Corporation Limited and the qualification of clearing participants of China Securities Depository and Clearing Corporation (CSDC). In addition, the qualifications of the main business of the Company are as follows:

1. In 2000, as approved by PBOC, the Company was admitted as a member of the national inter-bank market.

2. In 2001, as approved by CSRC, the Company obtained qualification for online entrusted securities brokerage business.

3. In 2003, as approved by CSRC, the Company obtained qualification for distributing open-end equity funds and entrusted investment management business.

4. In 2004, our value-added telecommunications business license was approved and issued by Jiangsu Communications Administration.

5. In 2005, as reviewed and approved by Securities Association of China, the Company became a pilot securities firm to carry out relevant innovative activities. In the same year, as approved by the PBOC, the Company obtained qualification for underwriting short-term financing bills.

6. In 2006, our qualification for foreign exchange operation in the securities business and Foreign Exchange Registration Certificate for Overseas Investment were approved and issued by State Administration of Foreign Exchange (SAFE) and Jiangsu Provincial Bureau of SAFE respectively.

7. In 2007, the Company obtained the qualification certificate for the agency business of stock transfer approved and issued by Securities Association of China, the qualification recognized by Shanghai Stock Exchange as its tier-1 dealer on the integrated e-platform for fixed income securities and the Qualified Domestic Institutional Investor (QDII) qualification for overseas securities investment management business recognized by CSRC.

8. In 2008, as approved by CSRC, the Company obtained qualification to provide intermediary introduction business for Great Wall Weiye Futures Co., Ltd. and the qualification to engage in direct investment business. In the same year, we also obtained qualified investor qualification in block trade system from Shanghai Stock Exchange.

9. In 2009, we obtained Value-added Telecommunication Service License of the PRC with the qualification of information service business (excluding fixed telephone voice information service) in the second type of value-added telecommunication service business.

10. In 2010, the Company obtained a stock index futures trading code and a hedging limit on China Financial Futures Exchange. In the same year, we obtained the qualification for margin financing and securities lending and was qualified as the dealer for credit risk mitigation tools and creator for credit risk mitigation certificates filed with the National Association of Financial Market Institutional Investors.

11. In 2012, as approved by China Insurance Regulatory Commission, the Company could lease trading seats to insurance institutional investors; as approved by CSRC, the Company obtained the qualification to participate in the bonds collateralized quotation repurchase business, innovative brokerage deposit business, agency sale of financial products, stock repurchase business; as approved by the Jiangsu Securities Regulatory Bureau, the Company obtained the qualification to participate in interest rate swap using its proprietary funds; as approved by the National Association of Financial Market Institutional Investors, the Company obtained the qualification to engage in lead underwriting business for non-financial enterprises debt financing instruments in the interbank market; as approved by Shanghai Stock Exchange, the Company became the CSI 300ETF liquidity service provider; as approved by China Financial Futures Exchange, the Company was qualified for conducting arbitrage and speculative trading using CSI 300 index-futures and obtained trading code; as approved by China Securities Finance Co., Ltd., the Company obtained the qualification to participate in the margin refinancing business.

12. In 2013, as approved by CSRC, the Company obtained the qualification to conduct comprehensive custody pilot business for private equity funds; as approved by the Jiangsu Securities Regulatory Bureau, the Company obtained the qualification for the agency sale of financial products, financial bonds (including policy-bank bonds) underwriting business and bonds futures business; as the qualification was duly filed with China Insurance Regulatory Commission, the Company formally became the manager of insurance fund investment; as approved by CSRC and China Financial Futures Exchange, the Company obtained qualification of conducting treasury bonds futures arbitrage and hedging businesses; as confirmed by the Securities Association of China, the Company obtained the qualification of carrying out equity return swaps business; the qualifications for stock repurchase business, securities-backed lending for securities, asset management share transfer business and when-issued trading of treasury bonds were obtained from the Shanghai Stock Exchange and Shenzhen Stock Exchange; as approved by China Securities Finance Co., Ltd., the Company obtained qualification of conducting securities refinancing; as approved by National Equities Exchange and Quotations Company Limited, the Company is qualified to operate recommendation and brokerage business on the National Equities Exchange and Quotations (NEEQ); witnessed by the China Securities Depository and Clearing Corporation Limited, the Company obtained the qualification for the opening of customers' securities accounts.

13. In 2014, as approved by the Securities Association of China, the Company obtained the qualifications for businesses such as pilot operations of Internet-based securities, OTC, pilot program on the OTC market and payment services for clients' funds; as approved by the Shanghai Stock Exchange and Shenzhen Stock Exchange, the Company has obtained the qualification for the trial business of financing of exercising share incentive scheme, stock options business, business under Shanghai-Hong Kong Stock Connect, business of restricted securities lending under share incentive schemes of listed companies and practicing brokerage business on an authentic basis for stock option businesses; the market-making qualification on the OTC market was obtained from National Equities Exchange and Quotations Company Limited; the qualification as a trial market maker on the inter-bank market was obtained from the National Inter-Bank Funding Center.

14. In 2015, as approved by CSRC, the Company obtained the qualification for the stock options market making business; as filed with the Asset Management Association of China, the Company became one of the first enterprises on the filing list of private equity outsourcing services to provide outsourced valuation and auditing and unit registration and sales back-office support services for private funds and other derived value-added services; as approved by the Shanghai Stock Exchange, the Company became a stock option trading participant on Shanghai Stock Exchange and engage in stock option brokerage and proprietary businesses and the main market-maker of SSE 50 ETF option contracts in the same year; as approved by China Securities Depository and Clearing Corporation Limited, the Company obtained the qualification for the pilot operation of the innovative one-way video verification of investors' identities under the online account opening; the qualification of standard interest rate swap and forward centralized settlement of standard bonds was obtained from Shanghai Clearing House.

15. In 2016, the Company obtained the qualification for the Southbound Trading business under the Shenzhen-Hong Kong Stock Connect from the Shenzhen Stock Exchange.

Please refer to Appendix I for further details: Main Business Qualifications.

II. CONTACT

	Secretary of the Board	Securities affairs representative
Name	Jiang Jian	Luo Yi
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Fax	025-83387784	025-83387784
Email	jiangjian@htsc.com	luoyi@htsc.com

Note: The Resolution on Appointment of Secretary of the Board of the Company was considered and approved at the first meeting of the fourth session of the Board; which has approved the the appointment of Luo Yi as the securities affairs representative, as nominated by Zhou Yi, the Chairman of the Company. On 23 February 2017, Mr. Luo Yi participated in the qualification training of secretary of the Board arranged by Shanghai Stock Exchange and obtained the qualification certificate of secretary of the Board, and thus can officially act as the securities affairs representative of the Company.

	Joint company secretaries	
Name	Jiang Jian	Kwong Yin Ping Yvonne
Address	11/F, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province	18/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong

III. BASIC INFORMATION

Registered address of the Company	No. 228 Middle Jiangdong Road, Nanjing
Postal codes of registered address of the Company	210019
Office address of the Company	No. 228 Middle Jiangdong Road, Nanjing
Postal codes of office address of the Company	210019
Principal place of business in Hong Kong	4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Company website	http://www.htsc.com.cn
Email	boardoffice@htsc.com
Main exchange	025-83389999
Customer service hotline	95597 or 4008895597
Business License Unified Social Credit Code	91320000704041011J

IV. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION OF DOCUMENTS

Name of newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of annual report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of annual report	http://www.hkexnews.hk
Location for inspection of annual report of the Company (A Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province; Shanghai Stock Exchange
Location for inspection of annual report of the Company (H Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province; 4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong

V. SHARES OF THE COMPANY

Shares of the Company

Type of shares	Stock exchange for listing	Stock name	Stock code	Stock name before change
A Share	Shanghai Stock Exchange	华泰证券	601688	Nil
H Share	Hong Kong Stock Exchange	HTSC	6886	Nil

VI. OTHER INFORMATION OF THE COMPANY

(I) Historical development of the Company, mainly including the reorganization and capital increases

1. The predecessor of the Company was Jiangsu Securities Company (江蘇省證券公司), which was established in December 1990 as approved by the headquarters of PBOC with a registered capital of RMB10 million, obtained the business license on 9 April 1991, and officially opened for business on 26 May 1991.

2. In 1994, the Economic Reform Commission of Jiangsu Province issued two documents, namely "Su Ti Gai Sheng [1993] No. 74" and "[1994] No. 36", to approve the conversion of the Company to be a directional stock raising company with a registered capital of RMB202 million.

3. In June 1997, as considered and approved at the annual general meeting of the Company in 1996 and approved by the headquarters of PBOC and CSRC via two documents of "Yin Fu [1997] No. 501" and"Zheng Jian Ji Zi [1998] No. 43", respectively, the Company implemented the capital increase program to increase its capital to RMB404 million, changed its name to " 江蘇證券有限責任公司 " (Jiangsu Securities Co., Ltd.), and completed the business registration for such change on 21 April 1998.

4. In May 1998, as considered and approved at the annual general meeting of the Company in 1997, the Company implemented the capital increase program to increase its capital to RMB828 million, and completed the business registration for such change on 18 January 1999.

5. In March 1999, as considered and approved at the general meeting of the Company and approved by CSRC via the document of "Zheng Jian Ji Gou Zi [1999] No. 152" in December 1999, the Company changed its registered capital to RMB850.32 million, changed its name to " 华泰证券有限责任公司 " (Huatai Securities Limited Liability Company), and completed the business registration for such changes on 21 December 1999.

6. In April 2001, as considered and approved at the general meeting of the Company and approved by CSRC via the document of "Zheng Jian Ji Gou Zi [2002] No. 96" in April 2002, the Company increased its registered capital from RMB850.32 million to RMB2,200 million, and completed the business registration for such change on 24 May 2002.

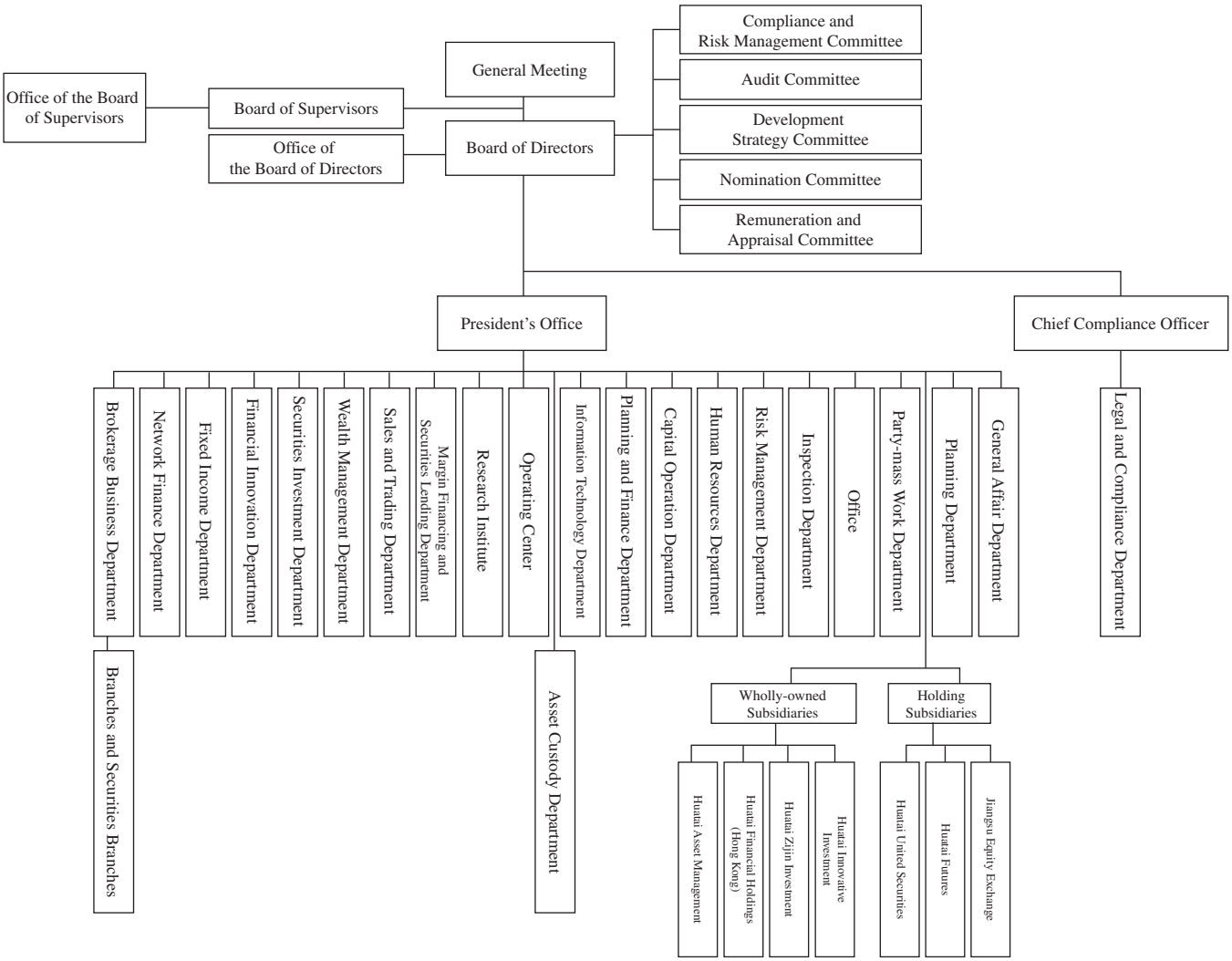
7. In 2007, as considered and approved at the general meeting of the Company and approved by CSRC via the document of "Zheng Jian Ji Gou Zi [2007] No. 311" on 29 November 2007, the Company was converted into " 华泰证券股份有限公司 " (Huatai Securities Co., Ltd.) in its entirety with its registered capital increased from RMB2,200 million to RMB4,500 million. On 7 December 2007, the Company completed the business registration for such changes.

8. In 2009, as considered and approved at the general meeting of the Company and approved by CSRC via the Reply on Approving Huatai Securities Co., Ltd. to Change Registered Capital, Acquire Xintai Securities Co., Ltd. (信泰證券有限責任公司) via Absorption and Change the Business Scope (Zheng Jian Xu Ke [2009] No. 715) on 30 July 2009, the Company increased its registered capital from RMB4,500 million to RMB4,815,438,725. The Company completed the business registration for such change on 31 July 2009.

9. In February 2010, as considered and approved at the general meeting of the Company and approved by CSRC via the Reply on Approving Huatai Securities Co., Ltd. to Conduct the Initial Public Offering (Zheng Jian Xu Ke [2010] No. 138) on 1 February 2010, the Company conducted the IPO of 784,561,275 RMB-denominated ordinary shares (A shares), and was successfully listed on Shanghai Stock Exchange in the same month, after which, the registered capital of the Company was RMB5,600 million. The Company completed the business registration for such changes on 23 February 2010.

10. On 11 December 2014, the Resolution on Issuance of H Shares and Listing in Hong Kong by the Company was considered and approved at the fourth extraordinary general meeting of the Company in 2014. The Listing Committee of the Hong Kong Stock Exchange held listing hearing on 7 May 2015 to consider the Company's application for issuing no more than 1,610,000,000 overseas listed foreign shares and listing on the Main Board of the Hong Kong Stock Exchange. The Company completed the Hong Kong public offering and international placing of 1,400,000,000 H Shares on 22 May 2015, and on 1 June, the 1,400,000,000 H Shares initially public offered by the Company and the 140,000,000 H Shares transformed from state-owned shares which were held by relevant state-owned shareholders of the Company and transferred to the NSSF by them because of reduction of holding, totaling 1,540,000,000 overseas listed foreign shares (H Shares), were listed and traded on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, certain joint global coordinators (on behalf of the international underwriters) exercised the over-allotment option referred to in the prospectus for the offering of H Shares, to require the Company to additionally issue 162,768,800 H Shares (hereinafter referred to as the "Over-allotted Shares"), and the Listing Committee of the Hong Kong Stock Exchange subsequently approved the listing and trading of the Over-allotted Shares and the H Shares to be held by the NSSF after the conversion (hereinafter referred to as the "Converted H Shares"). Such Over-allotted Shares and Converted H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on 24 June 2015. As a result, the total share capital of the Company was changed from 5,600,000,000 shares to 7,162,768,800 shares. The Company completed the business registration for such changes on 7 July 2015.

(II) Organization Structure of the Company



(III) Subsidiaries of the Company

As of the end of the Reporting Period, the Company had 4 wholly-owned subsidiaries and 3 controlling subsidiaries in mainland China and abroad. The basic information is as follows:

Name of subsidiaries	Address	Date of establishment	Registered capital (in 10,000)	Person in charge	Contact number
Huatai Financial Holdings (Hong Kong)	Unit 8-12, 58/F, The Center, 99 Queen's Road Central, Hong Kong	23 November 2006	HKD880,000	Zhou Yi	025-83389999
Huatai Zijin Investment	180 Hanzhong Road, Nanjing	12 August 2008	RMB600,000	Zhou Yi	025-83389999
Huatai Innovative Investment	Room 1501, 15/F, Block 28, Fengsheng Hutong, Xicheng District, Beijing	21 November 2013	RMB50,000	Jiang Yu	010-56839318
Huatai Asset Management	21/F, 18 Dongfang Road, China (Shanghai) Pilot Free Trade Zone	16 October 2014	RMB260,000	Cui Chun	021-28972188
Huatai United Securities	(01A, 02, 03, 04), 17A, 18A, 24A, 25A, 26A in the 5/F, Hong Kong CTS Building, Central Square, Central Area, Futian District, Shenzhen	5 September 1997	RMB99,748	Liu Xiaodan	010-56839300
Huatai Futures	20/F in Li Feng Building, 761 Dongfeng Eastern Road, Yuexiu District, Guangzhou	10 July 1995	RMB100,900	Zhang Tao	020-87327039
Jiangsu Equity Exchange Co., Ltd.	11/F, 188 Lushan Road, Nanjing	4 July 2013	RMB20,000	Hu Zhi	025-83389999

For the business scope of the subsidiaries, please refer to the "Management Discussion and Analysis and Report of the Board" "II. Main operations during the Reporting Period" and "(VII) Analysis on key subsidiaries" under this announcement.

(IV) Establishment of Branch Offices of the Company

As of the end of the Reporting Period, the Company had 29 branches in China. The basic information is as follows:

Currency: RMB

No.	Name	Address	Date of establishment	Working capital (in RMB10,000)	Zip code	Person in charge	Contact number
1	Beijing Branch, Huatai Securities	Room 1501, 15/F, Block 28, Fengsheng Hutong, Xicheng District, Beijing	28 May 2010	500	100032	Zhou Erli	010-63211377
2	Heilongjiang Branch, Huatai Securities	3/F, Block B, Aocheng International, No. 239 Xuanhua Street, Nangang District, Haerbin, Heilongjiang Province	28 May 2010	500	150001	Qu Feng	0451-82718800
3	Liaoning Branch, Huatai Securities	(Building 201) No. 320 Young Street, Heping District, Shenyang, Liaoning Province	3 June 2011	500	110004	Wang Shibin	024-31881777
4	Nanjing Branch, Huatai Securities	No. 90 Zhongshan Road East, Qinhuai District, Nanjing, Jiangsu Province	9 April 2010	2,000	210002	Gu Chengzhong	025-84798508
5	Nantong Branch, Huatai Securities	Fangtian Building, No. 6 Yaogang Road, Nantong, Jiangsu Province	28 May 2010	500	226001	Wang Jie	0513-85529888
6	Shanghai Branch, Huatai Securities	Room 2201, No. 18 Dongfang Road, Pudong New Area, Shanghai	28 May 2010	500	200120	Zhai Jun	021-28972289
7	Suzhou Branch, Huatai Securities	4/F and 5/F, No. 102 Xinshi Road, Suzhou, Jiangsu Province	28 May 2010	500	215001	Liu Xiaobing	0512-67579666
8	Tianjin Branch, Huatai Securities	4–6/F, Office Building, No. 88 Qinjian Avenue, Hongqiao District, Tianjin	28 May 2010	500	300211	Li Yijun	022-26522228
9	Shenzhen Branch, Huatai Securities	18A, China Travel Service Tower, Central Square, Central Area, Futian District, Shenzhen	19 March 2012	500	518048	Wang Lianfen	0755-82492098
10	Sichuan Branch, Huatai Securities	No. 2, 16/F, Block 1, Zhongda Junyue Jinsha Office Building, 51 Qingjiang Road West, Qingyang District, Chengdu, Sichuan Province	19 May 2012	500	610091	Hu Zheng	028-61502398
11	Hubei Branch, Huatai Securities	No. 4 Building, No. 558 Wuluo Road, Wuchang District, Wuhan City, Hubei Province	19 March 2012	500	430070	Ding Lanhe	027-87314798

No.	Name	Address	Date of establishment	Working capital (in RMB10,000)	Zip code	Person in charge	Contact number
12	Guangdong Branch, Huatai Securities	Unit 07–08, 39/F, No. 230 and 232 Tianhe Road, Tianhe District, Guangzhou, Guangdong Province	19 May 2012	500	510620	Liu Juzhang	020-88830128
13	Zhejiang Branch, Huatai Securities	Room 2304, 2305 and 2306, Block 1, Sunyard International Creative Center Building, No. 1750, Jianghong Rd., Binjiang District, Hangzhou	25 March 2013	500	310052	Wu Baoguo	0571-86698700
14	Wuxi Branch, Huatai Securities	No. 325, Jiefang Road West, Wuxi, Jiangsu Province	11 June 2014	2,000	214001	Feng Wei	0510-82723020
15	Changzhou Branch, Huatai Securities	No. 9, North Heping Road, Changzhou, Jiangsu Province	16 April 2014	2,000	213000	Wang Yansheng	0519-88139733
16	Xuzhou Branch, Huatai Securities	No. 19, Yangshan Road, Xuzhou Economic and Technological Development Zone, Jiangsu Province	16 April 2014	2,000	221001	Wang Minsheng	0516-85602988
17	Yangzhou Branch, Huatai Securities	No. 406, Wenchang Middle Road, Guangling District, Yangzhou, Jiangsu Province	4 August 2014	2,000	225001	Cao Xingtai	0514-82196688
18	Henan Branch, Huatai Securities	8/F, Block B, Guanghui Building, No. 15, Jingsan Road, Zhengzhou, Henan Province	16 April 2014	2,000	450008	Tao Mingqing	0371-65585009
19	Shandong Branch, Huatai Securities	No. 17703, Jingshi Road, Lixia District, Jinan, Shandong Province	16 April 2014	2,000	250061	Ma Jian	0531-55686555
20	Anhui Branch, Huatai Securities	The East Building, No. 46 Mingguang Road, Yaohai District, Hefei, Anhui Province	25 August 2014	10,000	230011	Gui Hanzhen	0551-64297088
21	Huaian Branch, Huatai Securities	9/F, building 1, No. 18, Huaihai Road East, Huai'an, Jiangsu Province	24 March 2014	2,000	223001	Li Dabin	0517-83907888
22	Yancheng Branch, Huatai Securities	No. 1015, Business Street, Dongjin Road, Bao Long City Square, Yancheng, Jiangsu Province	24 March 2014	2,000	224001	Yu Bing	0515-88216888
23	Zhenjiang Branch, Huatai Securities	No. 11, Changjiang Road, Zhenjiang, Jiangsu Province	24 March 2014	2,000	212001	Yuan Hongbin	0511-85037099
24	Taizhou Branch, Huatai Securities	No. 22, Yingchun Road West, Hailing District, Taizhou, Jiangsu Province	4 August 2014	2,000	225300	Tian Zhiwu	0523-86234237
25	Jiangyin Branch, Huatai Securities	No. 8, Futai Road, Jiangyin, Jiangsu Province	4 August 2014	2,000	214431	Gu Fuping	0510-86817888
26	Hunan Branch, Huatai Securities	No. 346, Laodong Road West, Changsha, Hunan Province	27 May 2014	500	410015	Deng Jing	0731-85120568

No.	Name	Address	Date of establishment	Working capital (in RMB10,000)	Zip code	Person in charge	Contact number
27	Yunnan Branch, Huatai Securities	Zone B, 3/F, Nanping Era Building, No. 155–162, Baoshan Street, Wuhua District, Kunming, Yunnan Province	25 February 2014	500	650021	Yin TianShui	0871-65951973
28	Fujian Branch, Huatai Securities	No. 201, Block B, Haiyi Edifice, No. 668, Xiahe Road, Siming District, Xiamen, Fujian Province	18 September 2014	2,000	361004	Chu Rentang	0592-2997899
29	Jiangxi Branch, Huatai Securities	No. 1416, Jinggangshan Avenue, Nanchang, Jiangxi Province	3 November 2014	500	330002	Wan Bin	0791-86600577

Business scope of the 29 subsidiaries: Securities brokerage; securities investment consulting; agency sale of securities investment funds; margin financing and securities lending business; agency sale of financial products; securities underwriting (limited to underwriting government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only).

(V) Number and Distribution of Securities Branches of the Company

As at the end of the Reporting Period, the company had 242 securities branches, which are widely located in 29 provinces, municipalities and autonomous regions including Shanghai, Beijing, Guangdong, Jiangsu, Hubei and etc. The number and distribution of securities branches are as follows:

Provinces, Municipalities and Autonomous Regions	Number of Securities Branches	Provinces, Municipalities and Autonomous Regions	Number of Securities Branches	Provinces, Municipalities and Autonomous Regions	Number of Securities Branches
Anhui	5	Hebei	1	the Ningxia Hui Autonomous Region	1
Beijing	7	Henan	3	Shandong Province	7
Chongqing	1	Hubei	29	Shanxi Province	1
Fujian	4	Hunan	3	Shaanxi Province	2
Gansu	1	Jilin	3	Shanghai	15
Guangdong	23	Jiangsu	93	Sichuan Province	7
the Guangxi Zhuang Autonomous Region	2	Jiangxi	2	Tianjin	4
Guizhou	1	Liaoning	7	the Xinjiang Uygur Autonomous Region	1
Hainan	2	Inner Mongolia Autonomous Region	3	Zhejiang Province	8
Heilongjiang	5	Qinghai Province	1		

Please refer to Appendix II: List of Securities Branches for further details.

VII. OTHER INFORMATION

Accounting firm engaged by the Company (domestic)	Name	KPMG Huazhen LLP
	Office address	8/F, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC
	Name of the signatory accountant	Wang Guobei, Zhang Nan
Accounting firm engaged by the Company (overseas)	Name	KPMG
	Office address	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Name of the signatory accountant	Pang Shing Chor

Legal Advisers:

Legal advisers in Hong Kong: Clifford Chance (27/F, Jardine House, One Connaught Place, Central, Hong Kong)

Share registrars:

1. Share registrar for A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
   Office address: 36/F, China Insurance Building, No. 166 Lujiazui East Road, Pudong New Area, Shanghai, PRC

2. Share registrar for H Share: Computershare Hong Kong Investor Services Limited
   Office address: 17M Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong

VIII. KEY FINANCIAL DATA AND INDICATORS

(I) Key Accounting Data and Financial Indicators for the Last Three Years

Unit: Thousand Yuan Currency: RMB

Item	2016	2015	Increase (decrease) by (%) compared to the previous period	2014
Total income and other gains	24,631,628	39,415,525	(37.51)	15,978,485
Earnings before income tax	8,593,428	14,263,497	(39.75)	5,914,816
Profit of this year-attributable to the Company's shareholders	6,270,612	10,696,871	(41.38)	4,486,276
Net cash (used in)/from operating activities	22,019,862	(46,417,732)	(147.44)	(11,173,496)
Total amount of other comprehensive income after tax this year	1,065,484	1,435,066	(25.75)	1,474,939

Unit: Thousand Yuan Currency: RMB

Item	At the end of 2016	At the end of 2015	Increase (decrease) by (%) compared to the end of previous year	At the end of 2014
Total assets	401,450,397	452,614,615	(11.30)	272,226,036
Total liabilities	315,790,200	371,085,844	(14.90)	230,281,628
Total equities attributable to shareholders of the company	84,357,457	80,784,925	4.42	41,298,556
Total shareholders' equities	85,660,197	81,528,771	5.07	41,944,408
Total share capital (shares)	7,162,768,800	7,162,768,800	—	5,600,000,000

Key financial indicators

Key financial indicators	2016	2015	Percentage of increase/ decrease (%)	2014
Basic earnings per share (RMB/share)	0.88	1.65	(46.67)	0.80
Diluted earnings per share (RMB/share)	0.88	1.65	(46.67)	0.80
ROE (%)	7.73	17.09	(9.36)	11.74
Debt-to-assets ratio (%)	72.25	74.85	(2.60)	79.23
Net assets attributable to the Company's shareholders per share (RMB/share)	11.78	11.28	4.43	7.37

Note: Debt-to-assets ratio = (total liabilities-accounts payable to brokerage clients)/(total assets-accounts payable to brokerage clients)

Net Capital of the Parent Company and Risk Control Indexes

Unit: Yuan Currency: RMB

Items	As at the end of the Reporting Period	As at the end of the previous year
Net capital	45,122,195,552.96	68,250,681,820.34
Net assets	75,942,209,841.25	74,445,317,086.43
Net capital/the sum of various risk provisions (%)	206.71	392.86
Net capital/net assets (%)	59.42	91.68
Net capital/net liabilities (%)	38.09	51.71
Net assets/net liabilities (%)	64.10	56.41
Value of proprietary equity securities and derivatives/net capital (%)	55.38	36.63
Value of proprietary fixed income securities/net capital (%)	65.95	80.33
Core net capital	37,622,195,552.96	53,750,681,820.34
Supplementary net capital	7,500,000,000.00	14,500,000,000.00
Total risk capital provision	21,829,243,932.41	17,372,561,713.91
Total on-balance and off-balance assets	208,043,528,950.74	212,345,868,939.18
Capital leverage ratio (%)	21.35	26.16
Liquidity coverage ratio (%)	246.05	299.81
Net stable funding ratio (%)	139.68	127.97

Note: The net capital and related ratio as at the end of the previous year were represented according to the related requirements such as "Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies" (Decree No. 125 issued by the CSRC).

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

The financial situation for the past five years is as follows:

1. Profitability

Unit: Million Yuan Currency: RMB

Item	2016	2015	2014	2013	2012
Total income and other gains	24,632	39,416	15,978	9,000	7,011
Total expenses	16,492	25,572	10,349	6,272	5,094
Share in the profits of associated companies and joint ventures respectively	454	420	285	219	209
Earnings before income tax	8,594	14,263	5,915	2,948	2,126
Profit of this year-attributable to the Company's shareholders	6,271	10,697	4,486	2,220	1,618

2. Asset Details

Unit: Million Yuan Currency: RMB

Item	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Total assets	401,450	452,615	272,226	116,214	85,856
Total liabilities	315,790	371,086	230,282	79,413	50,676
Accounts payable to brokerage clients	92,729	128,367	70,228	30,843	34,498
Total equities attributable to shareholders of the Company	84,357	80,785	41,299	36,174	34,725
Total shareholders' equities	85,660	81,529	41,944	36,801	35,180
Total share capital (shares)	7,162,768,800	7,162,768,800	5,600,000,000	5,600,000,000	5,600,000,000

3. Key Financial Index

Item	2016	2015	2014	2013	2012
Dividend per share (RMB)	0.50	0.50	0.50	0.15	0.15
Basic earnings per share (RMB/share)	0.88	1.65	0.80	0.40	0.29
Dilutive earnings per share (RMB/share)	0.88	1.65	0.80	0.40	0.29
ROE (%)	7.73	17.09	11.74	6.24	4.76
Debt-to-assets ratio (%)	72.25	74.85	79.23	56.89	31.50
Net assets per share attributable to shareholders of the Company (RMB/share)	11.78	11.28	7.37	6.46	6.20

Note: Debt-to-assets ratio = (total liabilities-accounts payable to brokerage clients)/(total assets-accounts payable to brokerage clients)

IX. DIFFERENCES IN FINANCIAL DATA PREPARED IN ACCORDANCE WITH DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

No difference in the net profit for the years of 2016 and 2015 and the net assets for the years ended 31 December 2016 and 31 December 2015 listed in the consolidated financial statements prepared respectively in accordance with the Accounting Standards of PRC for Business Enterprises and the International Financial Reporting Standards.

X. Items Measured under Fair Value

Unit: Yuan Currency: RMB

Name of items	Balance at the beginning of the period	Balance at the end of the period	Change in the current period	Effect on the profit of the current period in amount
Financial assets at fair value through profit or loss	131,238,108,713.37	83,107,232,026.80	(48,130,876,686.57)	1,566,689,451.54
Financial liabilities at fair value through profit or loss	21,428,292,467.49	27,919,978,030.69	6,491,685,563.20	(2,104,544,759.42)
Available-for-sale financial assets	38,118,720,503.37	43,736,561,642.99	5,617,841,139.62	1,708,037,939.07
Held-to-maturity investments	5,000,000.00	5,000,000.00	—	220,759.97
Derivative financial instruments	(2,125,595,372.73)	(757,418,940.03)	1,368,176,432.70	2,805,711,773.47
Total	188,664,526,311.50	154,011,352,760.45	(34,653,173,551.05)	3,976,115,164.63

Summary of the Company's Business

I. Descriptions of Our Principal Business Lines, Operation Models and Industry Conditions during the Reporting Period

(1) Our principal business lines, operation models and the key drivers to our performance during the Reporting Period.

We are a leading integrated securities group in China, with a substantial customer base, a leading e-Platform and a highly collaborative full-service business model. We provide comprehensive securities and financial services through our branches and e-Platform to individual, institutional and corporate clients to meet their financial needs. Our principal business lines comprise brokerage and wealth management, investment banking, asset management, investment and trading business, overseas business and other businesses. We continue to implement our full-service business strategy which is led by investment

banking, underpinned by brokerage and wealth management and supported by asset management, as well as investment and trading, thus enabling us to acquire differentiated core competitiveness. We plan to leverage our competitive advantages in the securities business to actively expand our full service operations, and aim to become a leading integrated financial group with strong local advantages and a global vision.

1. *Brokerage and wealth management businesses*

   Brokerage and wealth management businesses mainly consist of securities and futures brokerage, sales of financial products, institutional sales and research, and capital-based intermediary businesses. For securities and futures brokerage, we mainly execute trades on behalf of our clients in stocks, funds, bonds and futures to provide convenient trading services. For sales of financial products, we primarily sell various financial products managed by us and other financial institutions and provide asset allocation services to our clients. For institutional sales and research, we market and sell securities products and services to institutional clients and provide professional research services to facilitate their investment decisions. In respect of capital-based intermediary business, we provide diversified financing services including margin financing and securities lending, securities-backed lending to our clients.

   Main drivers to the brokerage and wealth management business include fee and commission income, and interest income. The segment revenue and other revenues generated from the brokerage and wealth management business during the Reporting Period were RMB15,559,308 thousand, a year-on-year drop of 45.72%; segment expenses was RMB9,986,520 thousand, decreased by 39.44% over the same period of last year; and the segment profit ratio was 35.82%, decreased by 6.65 percentage point as compared to that of the last year.

2. *Investment banking business*

   Investment banking business primarily consists of equity underwriting, debt underwriting, financial advisory and OTC business. For equity underwriting business, we provide IPO and equity services for PRC corporate clients. For debt underwriting business, we provide various types of bond financing services for corporate clients in China. For financial advisory business, we center on advising M&A from industry distribution and strategy perspective for PRC corporate clients. For OTC business, we provide recommendation services as chief agency broker to help unlisted companies enter into the NEEQ for share quotation and transfer and arrange follow-on financing for listed companies; and Jiangsu Equity Exchange which the Company funded can also provide cross-selling opportunities for our other business lines and help us explore and identify more investment opportunities for our private equity funds.

   Key drivers to investment banking include advisory fees, underwriting and sponsorship fees. The segment revenue and other revenues generated from the investment banking during the Reporting Period were RMB2,512,098 thousand, a year-on-year increase of 31.69%; segment expenses was RMB1,567,059 thousand, increased by 24.19% over the same period of last year; and the segment profit ratio was 37.62%, increased by 3.68 percentage point as compared to that of the last year.

3. Asset management business

Our asset management business mainly consists of asset management for securities firms, private equity fund management and asset management for fund companies. For asset management business for securities firms, which consists of collective asset management business, targeted asset management business, specialized asset management business and mutual fund management business, (including large collective asset management schemes), we participate in the operation of asset management business for securities firms via Huatai Asset Management, our wholly-owned subsidiary. For private equity fund management business, we operate direct investment business, which includes investment in, and management of private equity funds, through our wholly-owned subsidiary Huatai Zijin Investment. For asset management business for fund companies, we hold non-controlling interests in two mutual fund management companies, namely China Southern Asset Management and Huatai-PineBridge, through which we participate in the operation of asset management business for fund companies.

Key drivers to asset management business include management fee, performance fee and investment income. The segment revenue and other revenues generated from the asset management during the Reporting Period were RMB3,173,989 thousand, a year-on-year increase of 26.66%; segment expenses was RMB1,017,082 thousand, increased by 19.27% over the same period of last year; and the segment profit ratio was 67.92%, increased by 2.35 percentage point over the year earlier.

4. Investment and trading business

Our investment and trading business primarily consists of equity investment and trading, fixed-income investment and trading, OTC financial products and trading. For our equity investment and trading business, we engage in the investment and trading of stocks, ETFs and derivatives for our own account and also engage in market-making services for exchange-traded financial products. For our fixed-income investment and trading business, we engage in the trading of various types of fixed-income securities and derivative instruments on interbank bond market and stock exchanges and engage in market making services in interbank bond market. For OTC financial products and trading business, we offer and trade OTC financial products, mainly including equity return swaps, structured notes and asset management scheme, for clients. We also engage in providing market-making and quotation services on the NEEQ.

Key drivers to investment and trading business include investment income. The segment revenue and other revenues generated from the investment and trading business during the Reporting Period were RMB2,337,922 thousand, a year-on-year drop of 48.29%; segment expenses was RMB902,133 thousand, decreased by 42.66% over the same period of last year; and the segment profit ratio was 61.41%, decreased by 3.79 percentage point over the year earlier.

5. Overseas business and others

We engage in the operation of overseas business, mainly consisting of investment banking, sales and trading, and asset management business, via Huatai Financial Holdings (Hong Kong), a wholly-owned subsidiary of the Company. For investment banking business, we acted as sponsors for PRC and foreign companies in IPOs on the Hong Kong Stock Exchange, equity and debt underwriting, advising on cross-border M&A and providing financing solutions for clients. For sales and trading business, we provide securities trading and market-making service, and fixed-income, credit, futures contracts and structured products, as well as customized products for clients. We also provide our retail and institutional clients with global securities and futures brokerage and financing services. For asset management business, we provide portfolio and fund management services for our institutional clients, high net-worth and retail customers. We have developed various types of Renminbi asset management products by leveraging Hong Kong's position as the leading offshore Renminbi center.

Key drivers to overseas operations include brokerage commission, underwriting sponsorship fee, advisory fee, interest income and asset management fee. In addition, there are other drivers from the headquarters, such as interest income and expenses arising from the use of general operating capital, the expenditure of the middle and back offices, and the income from the investment to associated companies. The segment revenue and other revenues generated from the overseas business and others during the Reporting Period were RMB1,089,259 thousand, a year-on-year drop of 44.73%; segment expenses was RMB3,059,638 thousand, decreased by 43.33% over the same period of last year; and the segment profit ratio was -139.12%, decreased by 13.09 percentage point over the year earlier.

(2) Descriptions of the development stage, periodic characteristics of our industry and our position in the industry during the Reporting Period

We conduct business operations in the securities industry. The operating income and profit levels of the securities industry are highly dependent on the changes of the securities market trend and characterized by strong periodicity and fluctuations. Our securities-related businesses are dependent on and also benefit from the economic growth and the development and performance of the capital market in the PRC, and are also influenced by various factors including economic environment, regulatory environment, investor sentiment and international market.

Currently, the PRC securities industry is in the period of strategic opportunity for leap-forward development. Although the PRC economic growth has been slow the macro-economic situation is basically favorable and still remains within a reasonable range, showing a trend for improvement on the basis of stability, and the economic structure is continuously optimized. The securities industry will face unprecedented new opportunities and new space for development with the reform and opening up of the financial system, the deepening development of the multi-layered capital market, and the continuous furtherance of the reform on the financial regulation mechanism and the transformation of securities regulation. Securities industry will play an increasingly important role in serving the

development of the real economy and the supply-side structural reform, supporting the innovation in national strategy and industrial transformation and upgrade, and meeting the diversified investment demands of the investors. Also, the securities industry is shifting its focus from traditional channel businesses centered on light assets to capital intermediary businesses centered on heavy assets with the business scope of PRC securities industry continuously expanded, product types enriched, business functions constantly improved, profit model consistently optimized, the internet-based development of securities businesses significantly accelerated and the internationalization of securities businesses stepped up.

Over our 25 years of development, we achieved rapid growth by successfully capitalizing on the transformation and development opportunities of the PRC securities industry. We completed a series of successful mergers and acquisitions and our A Share and H Share IPOs, and navigated through market cycles, financial crises and regulatory reforms. Meanwhile, we have actively integrated and updated intermediary businesses, including brokerage and wealth management, investment banking and asset management, energetically developed capital-based intermediary businesses, constantly promoted the performance of our investment and trading activities and captured innovative growth potential. We outperformed our competitors through strategic transitions to achieve market-leading positions in multiple business lines.

According to Wind information, as at the end of the Reporting Period, we continued to rank No. 1 in the securities industry in terms of equity fund trade volume, and ranked No. 2 in the securities industry in terms of the balance of margin financing and securities lending business. According to statistics in the monthly reports of Shanghai Stock Exchange and Shenzhen Stock Exchange, as at the end of the Reporting Period, we ranked No. 3 in the securities industry in terms of the balance of stock pledged repo business. According to the statistics of Wind Info, during the Reporting Period, we ranked No. 3 in the securities industry in terms of the amount of equity underwritten as the lead underwriter; we ranked No. 7 in the securities industry in terms of the amount of bond underwritten as the lead underwriter; we ranked No. 1 in the securities industry in terms of the amount of convertible bonds (including exchangeable bonds) underwritten as the lead underwriter; we ranked No. 1 and No. 3 in the securities industry in terms of the number and amount of M&A and reorganization transactions led by us, respectively. According to the statistics of Wind Info, during the Reporting Period, Huatai Asset Management ranked No. 2 and No.3 in the securities industry in terms of the issuance volume and size of enterprise asset securitization business, respectively. According to the statistical data provided by Analysys, as at the end of Reporting Period, our mobile terminal “ZhangLe Fortune Path” ranked No. 1 among the brokers’ APPs in terms of the average daily number of active users.

Please see the Rankings of Securities Companies in Terms of Operating Results in 2016 (as of the issuance date of this announcement, the relevant rankings have not been published on the website of Securities Association of China) published on the website of Securities Association of China for the final rankings of the Company in terms of the indicators such as total assets, net asset value, operating income and net profit in 2016.

II. Analysis of the Core Competitive Strengths during the Reporting Period

The Company is one of the first integrated securities companies approved by the CSRC and a pilot securities company early approved by the SAC. Over the years, the Company adheres to the core values of "high efficiency, integrity, stability and innovation". By committing to the operation philosophy of "providing client-oriented services to meet clients' needs and achieve clients' satisfaction", the Company has gradually formed its own unique core competitive strengths and gained a high reputation and influence in the market.

(I) Advantages of corporate governance structure

In order to establish a modern corporate system, the Company strengthened and continuously refined its corporate governance structure. A corporate governance structure with checks and balances has been formed which features the separation among Shareholders' General Meeting, the Board, the Board of Supervisors and the operation management. Under such structure, they perform their respective functions at various levels and are held accountable within respective responsibilities and authorization, ensuring the prudent and standardized operation of the Company. During the Reporting Period, the Company re-elected the Board and the Board of Supervisors, adjusted the composition of the special committees under the Board, appointed senior management and amended a number of important governance documents, to continue promoting the modernization of the corporate governance system and competence. Standardized and reasonable corporate governance structure guaranteed the excellent and scientific decision-making ability of the Company. During the Reporting Period, the Company was awarded the "2016 Best Corporate Governance Awards — Special Mentions" granted by the Hong Kong Institute of Certified Public Accountants.

(II) Advantages of capital scale

Capital scale is one of the key factors that can determine the competition position, profitability, anti-risk capability and development potential of a securities firm. Ample capital scale is the foundation for the rapid development of a securities firm. During the Reporting period, the Company completed the issuance of two tranches of subordinate bonds with an aggregate amount of RMB8 billion and two tranches of corporate bonds with an aggregate amount of RMB14 billion. The Company recorded a constant capital increase and a sharp rise in the scale of net capital and net assets by virtue of listing and issuance of A+H shares, financing with various types of bonds and endogenous growth. Its capital structure was continuously improved and its capital scale stood at the forefront of the industry. The capital strength of the Company has entered a new phase, forming a solid capital foundation for business transformation, accelerating business innovation and driving forward the strategic projects of the Company.

(III) Advantages of risk management and internal control

The Company deeply recognized the necessity and importance of risk management and internal control, and placed emphasis on and consistently adhered to the corporate culture of operating in compliance with laws and regulations. During the Reporting Period, the Company continuously adjusted and improved the risk management system and the internal control system in accordance with relevant regulatory policies, market development conditions and business conditions, introduced advanced concepts and methods of risk management and effectively enhanced its ability of forward-looking identification and pre-warning for risks. As a result, the efficiency and ability of specialized risk management were substantially improved and the transformation and upgrade of risk management and internal control systems were advanced, to further adapt to the whole business chain strategy and requirements of all-round transformation and upgrade of the Company. The sound and effective and active and prompt risk management system and internal control mechanism effectively guaranteed the continuous, healthy and standardized development of every business of the Company.

(IV) Advantages of comprehensive financial service

The Company continued to deepen the construction of the full-service business franchise system and further propelled business innovation and transformation. With continual increase in business qualifications and further improvement in business system and structure, it outperformed its peers in all of its primary businesses. During the Reporting Period, the Company completed the acquisition of AssetMark, and proactively applied for the expansion of foreign exchange business and the uplift of limit amount on margin refinancing business. With the expansion of the scope of the business, the Company gradually established an integrated financial holding group comprising securities, funds, futures and overseas businesses, with remarkable advantages in scale effect, cross-selling potential and comprehensive financial services. The Company could provide systematic, one-stop and professional financial services to customers by integrating its internal and external resources according to the customers' demands, which would help maintain and further enhance its core competitive strengths.

(V) Advantages of online and offline channels

In recent years, the Company continued to propel the internet development strategy centered on the mobile internet platforms, and managed to efficiently provide customers with standard services at low costs through internet platforms. The internet platform has become a significant foundation for the Company to attract customers at a large scale, serve customers in high efficiency and retain customers by various methods. Meanwhile, the Company actively upgraded the functions of its traditional offline business outlets, continuously improved the layout of its business outlets and pooled the resources of its business outlets with a focus on providing customized and comprehensive financial services to high-net-worth, institutional and corporate clients. Supported by the reasonably distributed business outlets and industry-leading internet platforms, the Company's operating efficiency and synergic marketing ability were continuously enhanced, which was conducive to providing targeted high-quality services for over 11 million clients of the Company.

(VI) Advantages of innovation capability

Innovation is an inexhaustible driving force of the market development and also the basic means to strengthen the competitiveness of securities institutions. The Company is one of the innovative pilot securities companies early examined and approved, and innovation is always an important part of the Company's core values. The Company always takes innovation as the key driving force for its strategic transformation and emphasizes the role of innovation in business development and contribution to profit. It persistently pursues development through innovation, with good results achieved. The Company has been designated by regulatory authorities as one of the first companies to participate in new business pilots for many times, and has always been one of the leading companies in various aspects when piloting such new businesses. In recent years, while speeding up the innovative transformation of its traditional business, the Company also steadily promoted innovation business, which showcased the synergy between innovation and traditional businesses and increased the proportion of income from innovation business.

(VII)Advantages of human resources

As of the end of the Reporting Period, there were 5,281 employees in the parent company, 4,631 of whom were with bachelor's degree and above, accounting for 87.69%. The Company continuously deepened the marketization reform on human resources management, strengthened the hiring of high-end talents with innovative and global vision, enhanced employee training programs, created a long-term system for effective talent evaluation focusing on the improvement of the employees' professional qualifications and market competitiveness. The operating management and core management team of the Company have a deep understanding of macroeconomic situation and industry development and also have rich working experience in strategic management and business operation, and excellent team leadership. High-quality management team and employees are one of the most important resources in the Company, which provide a solid foundation for supporting business development of the Company and shaping its core competitive strength.

(VIII)Advantages of information technology

The Company always emphasizes forward-looking innovation of information technology, as it strives to keep the information technology up to date and entrench its pioneering position. The Company vigorously drove the independent development and operation of key IT platforms and carried on products and technology innovation centered on platforms, by centralizing client service platform, data center, product platform, trading platform and risk management platform, with an aim to improve its own unique core strengthens in IT. Besides, the Company accelerated the building of a broader and integrated operation and maintenance system, actively promoted the transformation of the mode of IT operation and maintenance and continuously enhanced the support obtained from professional IT operation and maintenance, so as to achieve more efficient resources allocation and more precise marketing promotion. Efficient information technology system and services can integrate company resources more reasonably and enhance the competence of operation and management and sustainable development.

(IX) Advantages of brand influence

The Company continuously strengthened asset optimization management of the brand, explored and deepened the brand connotation, and built and improved the brand marketing and promotion system at multi-levels and in multi-phases. The Company continuously ramped up brand communication, and drove and promoted business marketing by brand marketing. As such, it expanded its brand influence across China. At the same time, the Company continued facilitating the construction of corporate culture, strengthened internal cohesion and external influence to furnish strong spirit driving force and support to its development, with the aim of coordination between the corporate culture construction and brand fostering. Good brand image can help improve customers' recognition of the Company and customer loyalty, and can also inspire its employees and improve employees' loyalty, which will provide strong driving force and support for the healthy, harmonious and sustainable development of the Company.

In recent years, the Company vigorously advanced the strategy of internalization, promoted the linkage between domestic and foreign businesses, and spared no efforts in creating a platform for the development of overseas business. With the completion of the Company's A+H share deployment, capital increase in Huatai Financial Holdings (Hong Kong) and acquisition of AssetMark, the Company further has extended the layout of its overseas business, accelerated its process of internalization and expanded its business fields. Therefore, the Company could better seize the opportunities in cross-border business and satisfy the customers' demands in this regard and further improve its comprehensive income, market competitiveness and international influence. During the Reporting Period, the Company's core competitiveness has not been adversely affected by the resigning of core management team and key technicians, facilities or technology upgrade and the loss of concession. The Company will cautiously analyze and investigate the opportunities and challenges brought by the changes in economic environment, market and business. Under multi-business operation, the Company strives to enhance its integrated competitive strength.

Honors and Awards

I. Awards of the Company

On 9 January 2016, the "13th Financial Entities" (第十三屆財經風雲榜) jointly hosted by China Securities Market Research Center (SEEC) and Hexun Network was released in Beijing, and the Company was awarded "Best Innovation Business Brokeage for 2016" (年度最佳創新業務券商).

On 11 March 2016, Shanghai Gold Exchange released the Honoured List of Outstanding Member for 2015, and the Company was awarded "Inquiry Business Outstanding Contribution Award for 2015" (2015 年度詢價業務傑出貢獻獎).

On 27 April 2016, the List of "China Best Investment Bank (CBIB)" held by Securities Times was released, and the Company was awarded "Best Market Maker for the NEEQ in China for 2016" (2016 中國區股轉系統最佳做市商).

On 27 June 2016, the Company won the "Charity Award" (公益榮譽獎) at the 2015/2016 Annual Prize Awarding Ceremony of THE COMMUNITY CHEST.

On 15 July 2016, the "2016 China Wealth Management Forum & Wealth Management Firms Prize Awarding Ceremony" (2016 中國財富管理高峰論壇暨最佳財富管理機構頒獎盛典) was held in Shanghai conducted by Securities Times, and the Company was awarded two awards, namely "2016 Best Securities Broker in China" (2016 年中國最佳證券經紀商) and "2016 Best Internet Securities Firm in China" (2016 中國最佳互聯網證券公司).

On 5 August 2016, the "2016 SGT Strategy Discussion Summit" was held in Shenzhen conducted by 21st Century Business Herald. It released the awards list of "Kam Fan Award" (金帆獎) of 2016 Best Brokeage/Fund in China, and the Company was awarded three awards,such as "2016 Top Ten Brokeage for Comprehensive Strength" (2016 年綜合實力十强券商), "2016 Best Lead Broker" (2016 年最佳主經紀商) and "2016 Brokerage Internet innovation Award" (2016 年券商互聯網創新獎).

On 12 November 2016, the Prize Awarding Ceremony of "2016 Gold Bull Analysts in China Securities Industry" (2016 中國證券業金牛分析師) was held in Shenzhen conducted by China Securities Journal. Six research teams of the Company were on the list, including the research teams of household appliance industry (ranked second), banking (ranked third), foods & tourism (ranked fourth), electronics industry (ranked fifth), ferrous metal (ranked fifth) and commercial and trading (ranked fifth), and the Company was honored the title of "Best Gold Bull Analyst" (金牛最佳分析師).

On 25 November 2016, Jiangsu SASAC held a Working Conference of Construction of Legal State-Owned Enterprise for Provincial State-Owned Assets System (全省國資系統法治國企建設工作會議) in Nanjing. In the meeting, Jiangsu SASAC commended provincial advanced units in legal promotion and education of state-owned assets system for 2011–2015 (2011–2015 年全省國資系統法治宣傳教育先進單位). The legal compliance department, brokerage business headquarter and planning department of the Company was recommended as

"provincial advanced units in legal promotion and education of state-owned assets system for 2011–2015".

On 25 November 2016, the award ceremony of the "14th New Fortune Best Analyst" (第十四届新财富最佳分析師), co-hosted by New Fortune Magazine and Securities Times, was held in Shenzhen. The research institute of the Company won the "Fast Improved Research Institution" (進步最快研究機構). Seven research teams of Research Institute were on the final list, of which banking, non-banking financial analysis team ranked the third and fifth in the "New Fortune Best Analyst" (新財富最佳分析師), respectively; Beijing sales team of the Research Institute ranked the third in "New Fortune Best Sales Service Team in Beijing" (新財富最佳銷售服務團隊(北京區域)), and Guangzhou-Shenzhen sales team ranked the fifth in "New Fortune Best Sales Service Team in Guangzhou-Shenzhen Region" (新財富最佳銷售服務團隊(廣深區域)).

On 28 November 2016, among the rating in Greater China of Magazine II (Institutional Investor), the studying teams for Hong Kong Stocks in Company Institute ranked eleventh in general list with two second places and one fourth place.

On 1 December 2016, the Company won "2016 Special Mention Prize of Best Corporate Governance Award (H Share companies and other mainland enterprises)" granted by the Hong Kong Institute of Certified Public Accountants.

On 2 December 2016, The "2016 China's Social Responsibility Public Welfare Ceremony", hosted by Xinhua Net and Corporate Social Responsibility Research Center at Chinese Academy of Social Sciences and jointly sponsored by Xinhua News Agency Journalism, Xinhua Daily News, Economic information Newspaper, Reference News, China Enterprise Reform and Development Society and China Siyuan Foundation for Poverty Alleviation, was held in Beijing. At this ceremony, the Company won "2016 China's Social Responsibility Product Award".

On 3 December 2016, "the 13th Best Employers for College Students" awarding ceremony hosted by ChinaHR was held in Beijing, and the Company won the "Best Employer in Investment Banking and Securities Industry" award.

On 14 December 2016, at the economists' annual meeting held by NetEase Media, the Company won the "2016 Best Securities Company" award in the voting for "China's Top 500 in Finance Industry of the Year Awards".

On 21 December 2016, the Company won "2016 Best Innovation Value Award" granted by Application Radar (應用雷達), the first platform engaging in the searching services of specialized information and data on mobile internet in China.

II. Awards Won by the Subsidiaries of the Company

On 21 January 2016, in the voting for "2016 Structured Financing and Asset Securitization Forum and 2015 Asset Securitization Jiefu Prize (介甫獎) " hosted by Caishi China (財視中國) , Huatai Asset Management won the "Best Manager of Consumption Financing Business" award, and "the First Phase of factoring of Huatai Securities Asset Management, Jingdong Finance and Huatai Asset Management in 2016" issued by Huatai Asset Management won the "Most Popular Consumption Financial Product with Investors" award.

On 11 March 2016, the winners for the "9th New Fortune Best Investment Bank" in China hosted by New Fortune Magazine (新財富雜誌) were announced. Huatai United Securities won the title of "Best Local Investment Bank", "Best Oversea Investment Bank", "Best Investment Bank in the Industry of TMT", "Best Investment Bank in Real Estate and Financial Industry" and "Best Local Investment Bank in M&A". The IPO Project of Guotai Junan Securities and the IPO Project of JSCN hosted by Huatai United Securities were both awarded the title of "Best IPO Project", the "Focus media Privatization and Backdoor Hedy Holding" project was granted the title of "Best Financial Adviser Project", "Meinian Healthcare" and Hubei energy both won the title of "Best Refinancing Project", and the "Fifth Period of Far East" (遠東五期) was awarded the title of "Best Asset Securitization Project (Business Class)".

On 14 March 2016, "the Result of Selected Outstanding in Inter-Bank Local Currency Markets (Institutional) for 2015" (2015 年度銀行間本幣市場評優結果 (機構獎項)) organized by the National Inter-Bank Funding Center was published, in which China Southern Asset Management won the "Best Asset Management Party in Inter-Bank Local Currency Markets for 2015" (2015 年度銀行間本幣市場最佳資產管理人獎).

On 27 March 2016, "2016 Golden Bull Fund Forum and the 13th Award Presentation Ceremony of Golden Bull Award for Fund Industry in China" organized by China Securities Journal was held in Beijing, in which China Southern Asset Management won Five Golden Bull Awards and was awarded "2015 Golden Bull Fund Company", "2015 Golden Bull Fund Company of Passive Investment" (2015 年度被動投資金牛基金公司), meanwhile, "China Southern CSI 500 Index ETF" and "China Southern Tongli Fund" (南方通利基金) under its management won "2015 Golden Bull Open-ended Index Fund" (2015 年度開放式指數型金牛基金) and "2015 Golden Bull Open-ended Bond Fund" (2015 年度開放式債券金牛基金), respectively, and its fund manager Luo Wenjie won the title of "Best Popular Golden Bull Fund Manager" (最佳人氣金牛基金經理). At the same time, Huatai-PineBridge Fund won "2015 Golden Bull Fund Company of Passive Investment" herein, "Huatai-Pinebridge CSI 300 Index ETF" and "Huatai-Pinebridge Value-growing Hybrid Fund" (華泰柏瑞價值增長混合基金) won "2015 Golden Bull pen-ended Index Fund" and "Winning Golden Bull 3-year Open-ended Hybrid Fund" (三年期開放式混合型持續優勝金牛基金), respectively.

On 9 April 2016, the "2nd Annual Awards of CSF" (第二屆中國資產證券化論壇年度獎) jointly organized by CSF, Tsinghua National Institute of Financial Research and Caixin Media was published in Beijing, "JD IOU Receivables Debt Assets Supporting Special Scheme" (京東白條應收賬款債權資產支持專項計劃) underwritten and managed by Huatai Asset Management was awarded "Annual Outstanding Enterprises Assets Securitization Transaction

Award" (企業資產證券化年度傑出交易獎); "Yangzhou Housing Trust Benefit Assets Supporting Special Scheme" (揚州保障房信託受益權資產支持專項計劃), managed by Huatai Asset Management and appointing Huatai United Securities as financial consultants, was awarded "Annual Top 10 Enterprises Assets Securitization Transaction Award" (企業資產證券化年度十佳交易獎); "Guojun Huatai Financing and Funding Bond Assets Securitization No. 1 Assets Supporting Special Scheme"(國君華泰融出資金債權資產證券化 1 號資產支持專項計劃) underwritten and managed by Huatai Asset Management and "Tianjin Housing Trust Price Restricted Properties Trust Benefit Assets Supporting Special Scheme" (天津房信限價房信託受益權資產支持專項計劃) managed by Huatai Asset Management and appointing Huatai United Securities as financial consultants, were jointly awarded "Annual CSF Winning Prize" (CSF 年度優勝獎).

On 27 April 2016, the winner list of authoritative selection "CBIB" organized by Securities Time was published, in which Huatai United Securities won three awards, namely "2016 Best Comprehensive Securities and Investment Bank in China" (2016 中國區最佳全能證券投行), "2016 Best M&A Investment Banking in China" (2016 中國區最佳併購投行) and "Best Market Maker for the NEEQ in China for 2016" (2016 中國區股轉系統最佳做市商); its employee Jiang Yu and Zhang Lei won the title of "Top Ten Investment Bankers of China in 2016" (2016 中國區十大投資銀行家) and "2016 Top 10 Insurance Agencies in China" (2016 中國區十大金牌保代).

On 9 May 2016, Shanghai Futures Exchange conducted appraisal campaign of members for 2015. Huatai Futures won the "Top 30 Excellent Members", "Aluminum Industry Service Award", "Silver Industry Service Award", "Steel Industry Service Award" and "Natural Rubber Industry Service Award".

The complete results of "13th China Golden Fund" (第十三屆中國金基金獎) held by Shanghai Securities News were announced on 11 May 2015. China Southern Asset was awarded the title of "Golden Fund • TOP Fund Managers" (金基金 •TOP 公司獎), meanwhile, the "CSI 500 Index ETF (LOF) Fund" (南方中證 500ETF 聯接基金) and "China Southern Kaiyuan CSI Index 300ETF Fund" (南方開元滬深 300ETF 基金) of the company were awarded the title of "1-year Index-based Golden Fund" (1 年期指數型金基金獎). Its "China Southern Medicine and Health Fund" (南方醫藥保健基金) and "China Southern Baoyuan Bond Fund" (南方寶元債券基金) were awarded the title of "1-year Balance-type Golden Fund" (1 年期平衡型金基金獎) and "3-year Balance-type Golden Fund" (3 年期平衡型金基金獎), respectively. Meanwhile, Huatai-Pinebridge Fund was awarded the title of "Golden Fund • Bond Investment Return Fund Management" (金基金 • 債券投資回報基金管理公司將) in this contest, and its "Huatai-Pinebridge CSI 300 Index ETF Fund" (華泰柏瑞滬深 300ETF 基金) was awarded the title of "3-year Index-based Golden Fund" (3 年期指數型金基金獎).

The complete results of "6th China Merchants Bank Golden Eyes Evaluation" (第六屆招商銀行「金眼睛」獎評選) held by China Merchants Bank were announced on 19 September 2016. China Southern Asset won the title of "2013–2015 Three Years Golden Eyes Corporation Pension Investment Excellence Awards" (2013–2015 年三年金眼睛企業年金投資優勝獎).

On 22 September 2016, the "2016 Tencent Global Partner Conference" opening in Fuzhou, China Southern Asset won the title of "Outstanding Partner Award" (優秀合作夥伴獎) in the "Opening Night" awarding ceremony.

On 1 December 2016, the winners for 2016 HKCAMA-Bloomberg Offshore China Fund Awards issued by the Chinese Asset Management Association of Hong Kong were announced. The "Huatai HK SPC — Huatai RQFII Fund 3 Segregated Portfolio Fund" managed by Huatai Financial Holdings (Hong Kong) was awarded the title of "Offshore China Fund Awards 2016 — Best Total Return — Greater China Equity". Meanwhile, the "CSOP China Ultra Short-Term Bond ETF Fund" and the "CSOP China 5-Year Treasury Bond ETF" managed by China Southern Asset Management were awarded the title of "Best Tracking Error" and the Third Prize, respectively. The "China Southern Dragon Dynamic Fund — The Chinese New Balance Opportunity Fund" was awarded the title of "Best Total Return — Greater China Equity (3 Years)", the "China Southern Dragon Dynamic Fund — The RMB High-Yield Bond Fund" was awarded the Second Prize for "Best Total Return — Greater China Fixed Income (3 Years)", as well as the "CSOP FTSE China A50ETF Fund" and the "South East China GEM Index ETF" were awarded the title of "Best Average Liquidity" and the Third Prize, respectively.

I. Management Discussion and Analysis

Unit: Thousand Yuan Currency: RMB

By segment	Segment revenue and other income	Segment expenses	Segment results	Segment profit margin (%)	Year-on-year change of segment revenue and other income (%)	Year-on-year change of segment expenses (%)	Year-on-year change of segment profit margin (%)
Brokerage and wealth management business	15,559,308	(9,986,520)	5,572,788	35.82	(45.72)	(39.44)	Decrease of 6.65 percentage point
Investment banking business	2,512,098	(1,567,059)	945,039	37.62	31.69	24.19	Increase of 3.68 percentage point
Asset management business	3,173,989	(1,017,082)	2,155,904	67.92	26.66	19.27	Increase of 2.35 percentage point
Investment and trading business	2,337,922	(902,133)	1,435,789	61.41	(48.29)	(42.66)	Decrease of 3.79 percentage point
Overseas business and others	1,089,259	(3,059,638)	(1,515,389)	(139.12)	(44.73)	(43.33)	Increase of 13.09 percentage point
Intersegment elimination	(40,948)	40,245	(703)	—	—	—	—
Segment total	24,631,628	(16,492,187)	8,593,428	34.89	(37.51)	(35.51)	Decrease of 1.30 percentage point

Note: Asset management business, overseas business and others include share loss or profit with associated companies

(I) Brokerage and wealth management business

1. Market environment

During the Reporting Period, China's stock market dropped first and went up later with drastic fluctuation in the market conditions, resulting in obvious reduction of trading amount of stocks. According to the statistic published by Shanghai Stock Exchange and Shenzhen Stock Exchange, the trading volume of the stocks and funds in both markets reached RMB277.83 trillion in 2016, decreased by 48.71% as compared to that in 2015. Under the combined effect of continuous promotion of internet finance business and the implementation of "One persons multiple accounts" policy, as well as the significant acceleration of marketization, securities firms experienced fiercer competition in the brokerage business, the average, commission rate of the industry may further drop, but to a limited extent.

Under the influence of many factors such as imbalance between supply and demand of funds caused by wide fluctuation of stock market, increasingly stringent of leverage management of supervision departments and market sufficient liquidity, the overall scale of margin financing and securities lending businesses in the market was further shrinking during the Reporting Period. As of the end of the Reporting Period, the balance was RMB939.249 billion, decreased by 20.01% as compared to that in 2015.

2. *Operation measures and achievements*

(1) Securities and futures brokerage business

During the Reporting Period, securities brokerage business actively adapted to regulatory policy and market environment change. Based on earning profit, it stuck to compliance and innovative development, fully enhanced the management of clients adequacy, persistently expanded customer base and customer asset scale, and kept optimizing customer structure and business structure as well as promoted the transformation of securities brokerage business. Measures such as insisting on Internet development strategy, enhancing internal/external resources integration, continually creating Internet marketing service system based on "ZhangLe Fortune Path" and continually increasing the coverage of Internet channel and improving the internet drainage effect were adopted. Rules for customer classification, grading and allocation were improved, so as to create a customer investment adviser service system with high net value. Besides, service form was upgraded and improved and service contents were optimized to build a multi-level comprehensive financial service system and meet diversified investment demands of customers. According to WIND information, trading volume of stocks and funds of the Company during the Reporting Period was RMB24.52 trillion in total, with a market share of 8.85% and continually ranking the first in the industry.

Data relevant to agent transaction amount and market share

Currency: RMB

Categories of Securities	2016 Agency Sales Amount (in RMB100 million)	Market Share (%)	Categories of Securities	2015 Agency Sales Amount (in RMB100 million)	Market Share (%)
Stocks	200,008.38	7.85	Stocks	373,621.36	7.34
Funds	45,194.72	20.33	Funds	77,954.04	25.59
Debentures	136,541.20	2.88	Debentures	104,943.26	4.03
Total	381,744.30	5.08	Total	556,518.66	6.95

Note: Data of agent transaction amount and market share is derived from the financial terminal of Wind Info.

During the Reporting Period, the Company continually optimized and improved the functions of mobile terminal "ZhangLe Fortune Path ", which enhanced the user experience and significantly increased the number of active users. During the Reporting Period, "ZhangLe Fortune Path" was downloaded for 15,359,800 times with 2,351,600 daily active users. Since the "ZhangLe Fortune Path" was available to download online, with accumulative downloads reaching 26,376,800. During the Reporting Period, the number of new accounts opened on the mobile terminal of "ZhangLe Fortune Path" was 1,858,900, accounting for 91.18% of total new accounts of the Company. 81.92% of the Company's trading customers traded through "ZhangLe Fortune Path".

Southbound trading business under Shanghai-Hong Kong Stock Connect operated steadily during the Reporting Period. As of the end of the Reporting Period, there were 139,822 authorised users in total, with a total transaction amount of RMB84.667 billion and the market share of 6.26%. Southbound trading business under Shenzhen-Hong Kong Stock Connect was smoothly marketed; as of the end of the Reporting Period, there were 18,749 authorised users in total, with a total transaction amount reaching RMB524 million and a market share of 6.40%. Stock option brokerage business of the Company increased steadily during the Reporting Period with a total volume of 10,866,200, with a market share of 10.40%. As of the end of Reporting Period, the cumulative accounts of option investors reached 9,967.

As of the end of the Reporting Period, as to the futures brokerage business, the Company has 5 branches and 32 futures branches in 4 domestic municipalities and 14 provinces, as the agent of 51 types of futures. During the Reporting period, Huatai Futures (excluding clearing members) recorded a trading volume and trading amount of 221,747,900 lots and RMB10,795.799 billion, representing a year-on-year growth of 20.25% and decline of 67.75% respectively, and accounting for 2.68% and 2.76% of the whole market. The futures IB business of the Company increased steadily during the Reporting Period, with 8,797 newly added futures IB business customers, and the total number of customers reached 28,276. As of the end of the Reporting Period, 196 securities branches were allowed to be engaged in futures IB business of the Company. Daily equities of the customers of futures IB business were RMB2.704 billion.

(2) Sales of financial products

During the Reporting Period, the Company continually improved product assessment business system, enhanced appropriateness management of clients and actively built a customer-oriented business system with asset allocation functions provided by diversified financial products. The Company continually improved product sales service system, enhanced sales capacity of financial products for agent and has been involved in lawful consignment sale of financial products provided by fund management companies, trust companies and commercial banks via the wide network of security branches and Internet platform of the Company by taking full advantage of its strengths in customer resources and network layout. During the Reporting Period, the total amount of the sales and the total income from agency sales of financial products were set out as below:

Unit: Yuan Currency: RMB

Agency Sales of Financial Products	2016		2015	
	Total Sales Volume	Total Sales Income	Total Sales Volume	Total Sales Income
Funds	18,340,621,642.82	193,266,983.47	30,838,467,837.18	328,137,230.30
Trust	1,943,000,000.00	3,741,147.58	2,183,010,000.00	13,927,429.40
Others	4,012,479,169,811.37	9,535,419.46	4,794,644,764,281.00	6,689,907.32
Total	4,032,762,791,454.19	206,543,550.51	4,827,666,242,118.18	348,754,567.02

(3) Institutional sales and research business

During the Reporting Period, as to the institutional sales business, the Company continued to reinforce the development of all types of institutional investors and identify their demands, proceed to established an institutional sales and transaction platform, strengthen the promotion and sales of all kinds of securities trading services and financial products to institutional clients, and improve the quality and efficiency of customer services. For the research business, the Company strengthened the building of research teams, introduced leading talents in research business, and improved the integration of research and sales businesses, leading to the growth of the influence of research business and pricing capacity. Meanwhile, the Company vigorously promoted the integration of the research businesses in Mainland China and Hong Kong, and strived to build an integrated domestic and foreign customer service network, which led to the enhancement of supporting capacity of asset allocation across regions. Customer coverage and cooperation type of the Company became more comprehensive during the Reporting Period. In this year, the Company issued 4,716 research reports and organized 6,102 internal/external roadshows on strategies and special topics, 170 teleconferences, 53 industrial investment forums and 15 major symposiums on strategies and special topics. As of the end of the Reporting Period, the volume of sub-position transactions of the Company for mutual funds was RMB545.616 billion; the market share was 5.35%.

The Company strived to develop prime brokerage business and kept improving business systematization operation level, persistently boosted fund custody and outsourcing business, and optimized and improved business system and procedures during the Reporting Period. Besides, the Company also deeply developed core customer resources and cooperative potentiality and kept widening business development space and boundary, so as to meet the demands of all kinds of customers based on standard basic services and personalized value-added services. As of the end of the Reporting Period, the Company had 934 fund custody products and the business scale of fund custody reached RMB49.721 billion, and there were 1,589 private fund outsourcing business products (including 714 products of asset management subsidiary) and the outsourcing business scale reached RMB924.103 billion (including the business scale of asset management subsidiary of RMB883.389 billion).

(4) Capital-based intermediary business

In order to respond actively to market environment transformation, the Company stepped up to develop and cultivate customer resources, promoted the establishment of customer service system and kept deepening product service contents and optimizing customer structure during the Reporting Period. Meanwhile, the Company focused on consolidating operation support base, speeding up the risk management transformation and lifting risk management level to solidly promote the well development of capital-based intermediary businesses. As of the end of the Reporting Period, balance of financing and securities loan business of the parent company was the RMB55.143 billion, accounting for 5.87% of market share and ranking the second in the industry. The integral maintenance guarantee ratio was 337.76%. Securities-backed repurchase business of the Company kept growing during the Reporting Period. As of the end of the Reporting Period, the pending repurchase balance was RMB69.026 billion in total, with a scale ranking the third in the industry and an average fulfillment guarantee ratio of 245.28%. The Company was devoted to option financing and restrictive securities financing business during the Reporting Period. As of the end of the Reporting Period, the balance of option financing business was RMB25 million with an average fulfillment guarantee ratio of 276.03%, and the balance of restricted stock financing business was RMB1.345 billion with an average fulfillment guarantee ratio of 423.97%.

3. Prospect of year 2017

In 2017, the Company will continue to improve the Internet platform performance and product system for securities brokerage business, and optimize the Internet business operation mode, so as to consolidate and improve the market competitiveness of "ZhangLe Fortune Path". Besides, the Company will accelerate the transformation of the sales network function, establish a classified and layered customer-oriented service system, and continue to build up the overall strength of offline businesses. Online and offline cooperation channels will be deepened and customer redevelopment strength will be enhanced to effectively increase the value of customers. The Company will further consolidate the management system and service system of AssetMark,

to speeding up the establishment of the wealth management system. For futures brokerage business, the Company will continuously develop traditional commodities and financial customer retail business, promote the implementation and extension of innovative business, and further keep focusing on the business depth and width. The sales of financial products will employ the method of combining external introduction with internal development, so as to establish a high-quality and diversified financial products system and to meet comprehensive financial service demands of customers based on specialized asset allocation ability and improved pre-sales, in-sales and after-sales services. For institutional sales and research business, the Company will promote the establishment of institutional sales and transaction platform, optimize the institutional investment research services system, and improve domestic and overseas integration business to improve business level based on accurate research direction layout and abundant research product supply. Business chain resources will be deeply integrated for prime brokerage business. Besides, the full-process one-stop service system will be continually optimized to greatly improve business scale and market position based on the demands of private funds customers. The establishment of comprehensive risk management system and integrated operation maintenance system will be enhanced for capital-based intermediary business, and product service contents will be enriched and deepened to meet the diversified financing demands of customers by continually focusing on the needs of customers.

(II) Investment banking business

1. Market environment

Equity financing market was in a structural change trend during the Reporting Period, and the issuance of IPO slowed down in a first three seasons, while refinancing remained active. However, the IPO in the fourth season sped up, and the refinancing approval slowed down and got stricter. According to WIND information, the actual financing amount was RMB1,949.549 billion (including the capital raised through the issuance of new shares, issuance of additional shares, allotment of shares), increased by 29.16% as compared to that of 2015. Among them, the capital raised through new shares issuance was RMB138.796 billion, and the capital raised through refinancing was RMB1,810.753 billion, which decreased 5.47% and increased 32.89% respectively as compared to those of 2015 respectively.

During the Reporting Period, the debt market was still in the fast lane of development, with the scale of the market increment and market stock continuing to expand, innovative varieties being enriched, system construction being improved, the width and depth of the debt market development kept expanding and strengthening. According to WIND information, the total debt issuance amount was RMB36,366.178 billion, with a 56.77% increase as compared to that of 2015. Among that, the enterprise bonds issued were worth RMB592.57 billion, the corporate bonds issued were RMB2,779.732 billion, with a respective 73.21% and 167.95% increase as compared to those of 2015.

During the Reporting Period, with the ongoing of the structural reform from the supply side, the reform of state-owned enterprises and marketization reform through merger, acquisition and reorganization, the scale of merging, acquisition and reorganization of the market hit a new high. According to statistics from Qing Ke research center, China's merger and acquisition market closed 3,105 deals, and the total transaction amount was the mergers and acquisitions cases that disclosed deal was RMB1,843.553 billion, with a respective 15.34% and 76.64% increase as compared to those of 2015.

During the Reporting Period, the NEEQ market rapidly expanded, and the number of quoted companies and the scale of the market continued to increase. With the implementation of layering scheme of NEEQ and the continuous improvement of supporting systems, the foundation for the sustainable and healthy development of the NEEQ will be further reinforced. According to statistics from the National Equities Exchange and Quotations, as of the end of the Reporting Period, the NEEQ has listed 10,163 companies, with a total market capitalisation of RMB4,055.811 billion, with a respective 98.15% and 64.97% increase as compared to those of 2015.

2. *Operation measures and achievements*

(1) Equity underwriting, debt underwriting and financial advisory businesses

During the Reporting Period, the Company actively adjusted and optimized the business layout, strengthened the efficiency of internal collaboration and the speed of external response, continuously improved the whole business chain service system and the integrated operation mode of investment banks. Adhering to the strategy of "industry-oriented, customer centered", the Company continued to build a long-term effective mechanism of business development, improving the overall business operation efficiency and customer loyalty continuously. The Company has given full play to the reputation and radiation effect of the merger, acquisition and reorganization business, further consolidating its dominant position in the market, seizing the high growth industry leading companies, expanding the scale of strategic cooperation customers, meticulously building golden projects, continuing to provide quality services and driving the development of other businesses. The Company has advanced the strategy of indepth development, increased the intensity of industry and customer focus, actively explored refinancing business opportunities, improved the refinancing business investment, effectively resisted the influence of factors such as the new share issuance adjustment and guaranteed growth and stability in equity financing business. The Company continued to strengthen the allocation of resources in the bond business, optimized the business condition, increased the intensity of innovation and expanded the sales channels, continuously improved the business pattern of "covering the entire market and all varieties, upholding the mainstream support and prioritizing the new products" and achieved explosive growth in the scale of underwriting business.

Consolidated Data

Currency: RMB

Issuance category	Times of lead underwriting (time)		Lead underwriting amount (ten thousand yuan)		Lead underwriting income (ten thousand yuan)	
	Current Period	Accumulated over the years	Current Period	Accumulated over the years	Current Period	Accumulated over the years
Issue of new shares	6	141	1,085,495.73	9,245,066.66	34,486.26	386,191.14
Additional issue of shares	39	124	6,854,957.26	17,897,181.35	51,968.80	163,803.99
Allotment of shares	—	30	—	1,002,136.78	—	19,236.96
Issue of bonds	128	407	17,163,467.45	40,312,122.53	58,966.71	204,576.16
TOTAL	173	702	25,103,920.44	68,456,507.32	145,421.77	773,808.25

Note: The above data is from the regulatory reports of the Company; preferred shares are included in the additional newly issued shares; bonds issuance is all-inclusive which counts in treasury bonds, enterprise bonds, corporate bonds (including exchangeable bonds), convertible bonds, short-term financing bonds and medium-term notes, etc..

Status of merger, acquisition and reorganization and financial advisory business during the Reporting Period (consolidated data)

Currency: RMB

	Net income (ten thousand yuan)	Number of companies	
	Current Period	Current Period	Accumulated over the years
Merger, acquisition and reorganization, financial advisory business	63,753.03	191	1,013

During the Reporting Period, the Company completed a total of 173 lead-underwriting projects on consolidated basis with an aggregate lead-underwriting amount and revenue from lead-underwriting projects of RMB251.039 billion and RMB1.454 billion, respectively; the Company completed a total of 45 equity lead-underwriting projects on a consolidated basis with an aggregate equity lead-underwriting amount and revenue from equity lead-underwriting projects of RMB79.405 billion, and RMB865 million, respectively. According to the WIND information, during the Reporting Period, the Company ranked the third in terms of the equity lead-underwriting amount. The Company completed a total of 128 bond lead-underwriting projects on a consolidated basis with an aggregate bond

lead-underwriting amount and revenue from bond lead-underwriting projects of RMB171.635 billion and RMB590 million. According to the WIND information, during the Reporting Period, the Company ranked the seventh in terms of the bonds lead-underwriting amount. As to the merger and acquisition business, during the Reporting Period, the Company's merger and acquisition transaction number and amount increased. According to the WIND information, the number of merger and acquisition and reorganization deals led by our company ranked the first in the industry and the transaction amount ranked the third in the industry.

(2) OTC businesses

During the Reporting Period, the Company seized market opportunities, timely adjusted the business structure, continued to follow up on financing needs of listed companies, comprehensively promoted all business lines and provided customers with high quality comprehensive financial services in an all-round manner. During the Reporting Period, the Company recommended 29 companies for listing, among which 2 have received listing approval notices, one was pending for approval to be listed, and the Company has completed 29 times deals of private placement of equity for 25 listed enterprises with a total of RMB2.428 billion for 25 listed enterprises, completed 2 equity acquisitions of independent financial advisor with a total of transaction amount of RMB1.147 billion, and completed equity pledged financing and debt financing businesses deals for multiple listed companies. During the Reporting Period, the Company's subsidiary Jiangsu Equity Exchange actively integrated business resources and continued to strengthen innovation of financial products, providing a full range of comprehensive financial services for listed enterprises. As of the end of the Reporting Period, the Company has developed 233 membership units and a total of 5,903 investors of all types; the Company has helped 1,139 listed enterprises, raising RMB184 million for the listed companies through equity financing and raised RMB78 million through equity pledged financing; the amount of private bonds, targeted financing products, income rights financial assets products, and asset management plan issued were RMB21.693 billion, 4.165 billion, 882 million and 13.279 billion, respectively.

3. Prospect of year 2017

In 2017, the Company's equity underwriting business will take customer as the center, further enhance the comprehensive ability to provide customers with our services. IPO businesses will continue to focus on the industry and regional exploitation, continuing to increase reserves of high quality project. Refinancing businesses will be adapted to changes of regulatory policies, seize high quality customers, improve sales ability and further improving customer loyalty and industry reputation. For the bond underwriting business, the Company will continue to strengthen the team construction and the introduction of high-end talents, get access to and grasp customers' resources from the platform resources, collaborative linkage and drives of innovation in order to achieve breakthrough in business income and business scale. In the merger, acquisition and

reorganization business, the Company will strive to enhance the trading mindset of the team, improve the team's capability of deal-making, enhance cross-market service capabilities and continue to maintain the leading position and business advantage. The Company will fully integrate the NEEQ business into the large investment banking system based on the concept of resources integration. It will continue to develop high quality enterprises, improve the ability of integrated services and maximize value of the customers. Jiangsu Equity Exchange will continue to strengthen and standardize exchange and cooperation with financial institutions and online financial platforms, speed up the efforts in product innovation, and enhance the ability to provide services for local real economy.

(III)Asset management business

1. Market environment

During the Reporting Period, along with the continuous deepening of the economy and financial reform of our country, financial markets experienced multi-dimensional expansion and social wealth continued to grow in various ways. Meanwhile, the asset management industry achieved leapfrog development while business and product underwent rapid development, and industry management scale increased significantly. According to statistics from Asset Management Association of China, the total amount of asset management business of securities and futures business companies reached RMB51.79 trillion, with a 35.58% increase compared to that of 2015.

During the Reporting Period, the overall domestic macroeconomic situation remained weak and the demand of real economy declined, while the development of the whole Chinese private equity market was going through rational development. According to statistics from Zero2IPO Research Center private placement department, China's private equity institutions raised 1,675 new funds in 2016, with a decrease of 25.52% compared to that of 2015; the raising scale was a total amount of RMB996.049 billion, with a 76.31% increase compared to that of 2015.

2. Operation measures and achievements

(1) Asset management business of securities companies

During the Reporting Period, Huatai Asset Management increased the intensity of business innovation on the basis of strict control of risks, profoundly guided and created customer demands and met customers' needs of diversified investment and financing with a variety of financial products. In terms of collective asset management business, business product lines were more balanced, fixed-income investments maintained advantageous and comprehensive financial service level kept improving. As of the end of the Reporting Period, there were 92 collective asset management plans in total with a total amount of RMB129.474 billion in management scale. As for targeted asset management business, our company has actively promoted management ability on the basis of the steady development of securities business and the outsourcing investment business has developed

rapidly with benign expansion in scale. As of the end of the Reporting Period, we totally managed 588 targeted asset management plans with a total amount of RMB718.705 billion. In terms of special asset management business, business advantages developed in areas such as consumed finance, notes, lease, security housing, credit financial assets, the green industry assets and so on. As of the end of the Reporting Period, we managed a total of 34 special asset management plans with a total amount of RMB35.141 billion in the management scale. In addition, the Huatai Asset Management obtained the qualifications of mutual fund management business, and has been preparing for the declaration and issuing of public offering products.

During the Reporting Period, the scale and revenue of asset management business of Huatai Asset Management Co., Ltd. were set out in the following table:

Currency: RMB

	Year 2016		Year 2015	
Items	**Entrusted Scale (in RMB100 million)**	**Net income (in RMB10 thousand)**	**Entrusted Scale (in RMB100 million)**	**Net income (in RMB10 thousand)**
Collective asset management business	1,294.74	125,559.51	1,013.21	94,371.97
Targeted asset management business	7,187.05	28,935.95	4,997.44	24,066.95
Special asset management business	351.41	4,714.15	133.21	1,274.00

(2) Private equity fund management business

During the Reporting Period, the Company actively carried out the establishment and fund raising activities of private equity investment funds and further expanded the scale of fund management. As of the end of the Reporting Period, the Company set up 17 private equity funds, with a total subscription of RMB 42.1766 billion and a total amount paid of RMB 31.0066 billion.

During the Reporting Period, implemented investment projects of private equity investment fund set up by the Company were as follows:

Currency: RMB

	Total number of investment projects (company)	Among which: equity investment projects (company)	Debt investment projects (company)	Total investment amount (RMB10 thousand)	Among which: equity investment project (RMB10 thousand)	Debt investment projects (RMB10 thousand)
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) (華泰紫金（江蘇）股權投資基金（有限合夥）)	2	2	0	6,950	6,950	0
Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership) (江蘇華泰瑞聯併購基金（有限合夥）)	7	7	0	273,304.81	273,304.81	0
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership) (北京華泰新產業成長投資基金（有限合夥）)	1	1	0	10,000	10,000	0
Huatai Merchants (Jiangsu) Capital Market Investment Master Fund (Limited Partnership) (華泰招商（江蘇）資本市場投資母基金（有限合夥）)	7	7	0	45,860.71	45,860.71	0
Shenzhen Huatai Ruilin Equity Investment Fund Partnership (Limited Partnership) (深圳市華泰瑞麟股權投資基金合夥企業（有限合夥）)	5	5	0	16,420	16,420	0
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) (北京華泰瑞合醫療產業投資中心（有限合夥）)	4	4	0	23,935.02	23,935.02	0
Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership) (江蘇華泰互聯網產業投資基金（有限合夥）)	1	1	0	9,970.09	9,970.09	0
Jiangsu Huatai Emerging Industry Investment Fund (Limited Partnership) (江蘇華泰戰略新興產業投資基金（有限合夥）)	3	3	0	43,006.50	43,006.50	0
Yili Suxin Investment Fund (Limited Partnership) (伊犁蘇新投資基金合夥企業（有限合夥）)	3	3	0	62,582.15	62,582.15	0

(3) Asset management business of fund companies

During the Reporting Period, facing the fierce competition and complex market environment, the Company's fund companies kept establishing compliance and risk control, strengthening fine internal management, improving the ability to create value for customers, enhancing ability in market development and customer services, improving the background support and operation guarantee ability, and ensuring stable and sound development of the business. Asset management business level improved significantly and product structure was further optimized. As for China Southern Fund's asset management business, as of the end of the Reporting Period, the total assets managed was RMB645.217 billion, a 26.47% increase compared to that of the end of 2015, among which, the total number of funds in tis mutual fund business was 116 with a total amount of RMB391.486 billion, a 17.14% increase compared to that of the end of 2015. Accounts managed in private funds business numbered 194 with a total amount of RMB253.731 billion, a 44.18% increase compared to that of the end of 2015. As for Huatai-Pinebridge's asset management business, as of the end of the Reporting Period, the assets under management reached 107.197 billion in total, with a decrease of 19.19% compared to that of the end of 2015, among which, the total number of funds in its mutual fund business was 46 in total with a total amount of RMB97.488 billion, and a decrease of 24.96% compared to that of the end of 2015. A total of 30 funds were managed in the private funds business with a total amount of 9.709 billion, a 255.90% increase compared to that of the end of 2015.

(4) Asset management business of futures companies

During the Reporting Period, Huatai Futures continued to explore abundant fund channels, expand the scope of cooperation, optimize compliance and risk control system and the investment advising assessment system, comprehensively improving the internal management level and business development ability and promote active management business. As of the end of the Reporting Period, the number of asset management plans within the duration reached 90 with a total amount of RMB13,853,419,000, with a year-on-year increase of 90.02%; rights and interests of futures was RMB4,396,688,100, with a year-on-year increase of 132.99%.

3. Prospect of year 2017

In 2017, our securities companies will keep enhancing the initiative management capability in the asset management business, continuously promote the transformation and upgrading of business system and dedicate to provide customers with first-class investment products, plans of asset allocation and of overall financial services. The Company will significantly develop the mutual fund management business and internet banking business, actively build institution customers service system, further expand institution clients group, improve customer coverage and diversity, consolidate first-mover advantages of assets securitization, vigorously develop and explore new business sectors, and effectively activate the scale growth of asset securitization. The Company will improve the investment management system and risk control system in private equity fund management business, attach great importance to the compliance and risk management, continuously improve market operation ability and professional service capabilities, steadily expand the scale of investment and ensure the steady and healthy development of the business. The Company will strive to create industry-leading investment research system and product system with outstanding features in the asset management business of fund companies, to improve investment performance, to vigorously advance the Internet Strategy, to collaboratively develop public offering and private placement business and to consolidate and improve market position of the business. The Company will improve its core competence of investment management in asset management business among futures investment companies, develop products and business innovation based on customers' needs, strengthen the competitive power of the asset management product line, and consolidate the business scale and market influence.

(IV) Investment and trading business

1. Market environment

The stock market fluctuated drastically during the Reporting Period, and main indexes of Shanghai Stock Exchange and Shenzhen Stock Exchange fell as a whole. As of the end of the Reporting Period, CSI 300 index fell 11.28% to close at 3,310.08 points; SSE Composite Index fell 12.31% to close at 3,103.64 points; SSE Component Index fell 19.64% to close at 10,177.14 points; Growth Enterprise Index fell 27.71% to close at 1,962.06 points.

The bond market fluctuated significantly during the Reporting Period; bull run lasted for the first three quarters, and great adjustment occurred in the fourth quarter under the effect of weak macro economy, supervision de-leveraging, bond default, overseas interest-rate rising and other factors, and bond yields rose in a fluctuant way. As of the end of the Reporting Period, CSI Aggregate Bond Index closed at 175.59 points, up by 2.00%; China Bond Compositie Full-price Index closed at 116.09 points down by 1.64%.

2. *Operation measures and achievements*

(1) Investments in equity securities and trading business

The Company took "pursue reasonable return on the premise of keeping risks controllable" as the investment objective, intensified the idea on absolute benefit for long-term value investment, persisted in multi-business diversification and de-directional development mode, established and improved scientific investment and research system with stock pool as the core, constantly promoted the construction of investment and research integration management platform, effectively utilized various financial instruments and trading technologies and actively exploits investment varieties with high margin of safety during the Reporting Period. As for inside quantification and hedging investment, transition from original configuration type hedging investment mode into diversified trading mode was gradually achieved. The Company also constantly improved Alpha quantitative investment system, actively expanded the depth and range of strategy research, improved the market testing system based on data analysis and carried out diversified strategic investment trading based on position management and strategic management. Equity securities investment and trading business has achieved positive return as of the end of the Reporting Period. The Company actively carried out NEEQ market making business and intensified the research on NEEQ market making varieties. As of the end of the Reporting Period, the Company has provided market making and quotation services for 76 listed companies, with a total value for market making of RMB587.5703 million.

(2) Fixed-income investment and trading business

The Company actively carried forward the transition of traditional self-operated business and the exploitation of new business, promoted deep cooperation in the business system, started to carry out FICC business and created differentiated competitive advantage during the Reporting Period. As for fixed-income business, the Company persevered in "de-directional" trading strategy, adjusted the position structure timely as per the market behaviour, actively built and improved interest rate debt and derivative arbitrage model, constantly enriched hedging strategies and fully strengthened position risk management. As for sales & trading business, the Company accurately seized the good opportunity in bank's intervention because of high-speed expansion of financial management scale to achieve a leapfrog increase of the scale of investment consulting business. As for bulk commodity business, the Company mainly concentrated on enriching trading varieties and optimizing the trading mode, actively carrying out gold reasing and lending business. 57 businesses were achieved during the Reporting Period, with a total financing amount of RMB16.230 billion and an interest rate for gold reasing and lending of 2.90%. As for foreign exchange transaction, the Company actively promoted the preparation of application for foreign exchange settlement and sales business and foreign currency bond investment business, foreign currency investment outsourcing business and foreign currency lending business. Fixed-income investment and trading business has achieved positive returns as of the end of the Reporting Period.

(3) OTC financial products and trading business

The Company constantly improved the functions of OTC market transaction system, detailed the working mechanism and business process, strengthened the eligibility management of investors, and normalized and promoted private placement business, OTC financial derivative business and over-the-counter financing business during the Reporting Period. Up to now, the Company's OTC market has obtained service authority in the aspects of investment, agent transaction, establishment, recommendation, exhibition, etc. The Company issued 79 private placement products during the Reporting Period, with the total amount of RMB16.351 billion, including 65 income credentials, with an amount of RMB11.615 billion; 8 asset management plans, with an amount of RMB2.593 billion; 2 private equities, with an amount of RMB0.2 billion; 4 trust plans, with an amount of RMB1.943 billion. The Company had a net decrease of 29 equity income swap transaction businesses during the Reporting Period. As of the end of the Reporting Period, there were 8 businesses with a notional principal of RMB1.584 billion. 25 OTC option businesses were newly added during the Reporting Period, with a newly-added notional principal of RMB27.301 billion. As of the end of the Reporting Period, there were 65 OTC option businesses with a notional principal of RMB42.534 billion.

(4) Alternative investment business

During the Reporting Period, the Company carried out alternative investment business via its wholly-owned subsidiary — Huatai Innovative Investment. During the Reporting Period, 5 investment projects were newly added, with an investment amount of RMB0.315 billion. 5 investment projects were completed, and there are 4 projects at present. The investment varieties include qualified domestic limited partner, asset management plan, cross term arbitraging of bulk commodity, delayed settlement contract project of Shanghai Gold Exchange, etc.

Unit: thousand yuan Currency: RMB

Item	2016	2015
Net realized gains from disposal of available-for-sale financial assets	1,459,893	1,130,112
Dividend income and interest income from available-for-sale financial assets	248,145	307,496
Net realized gains from disposal of financial instruments at fair value through profit or loss	(1,198,505)	3,693,752
Dividend income and interest income from financial instruments measured at fair value of which through profits or losses	2,414,998	2,665,918
Net realized loss from of derivative	1,391,067	(324,275)
Interest income from held-to-maturity investments	221	229
Unrealized fair value changes of financial instruments at fair value through profit or loss	(1,754,349)	732,588
Unrealized fair value changes of derivative	1,414,645	(1,448,622)
Others	—	—
Total	3,976,115	6,757,198

3. Prospect of year 2017

In 2017, as for equity securities investment and trading business, the Company will still persist in multi-business diversification and de-directional development mode. Besides, we will actively explore new investment path and mode, constantly improve integrative investment and research system, quicken the development process of investment and research management system, promote the achievement of systematization, informatization and precision management of business, and greatly improve investment and trading capability. As for exchange traded quantified hedging investment, the Company will still keep strengthening the learning and utilization of advanced financial instruments and technologies. Besides, we will actively expand strategy research and improve the quantitative investment system, effectively carry out transactional investment business, and combine investment with trading business. As for fixed-income investment and trading business, the Company will fully strengthen position risk management. Besides, we will adhere to the concept that value can be created via research and risk management, constantly promote deep cooperation in the business system, improve sales & trading platform, further strengthen the market competitiveness of fixed income, bulk commodity and foreign exchange transaction, and establish differentiated profit model. As for OTC financial products and trading business, the Company will strengthen product and service innovation. Besides, we will constantly improve product design and customer service ability, greatly promote OTC derivatives business, and build OTC market platform with investment, financing and trading. As for alternative investment business, the Company will further research and develop new strategies. Besides, we will seize various investment opportunities occurring in the market and steadily improve investment returns.

(V) Overseas business and others

1. Market environment

During the Reporting Period, the global economy was unstable and still in the midst of adjustment after the international financial crisis. The economy of main developed countries had a slow recovery speed, the economy of emerging countries had a slow growth speed, and global economy presented a week recovery situation as a whole. Under the background that the two-way opening depth and range of capital market continuously developed, cross-border wealth management and investment & financing demands continuously increased, and Chinese-funded securities traders with profound customer foundation will have new opportunities.

2. Operation measures and achievements

During the Reporting Period, Huatai Financial Holdings (Hong Kong) constantly promoted the development of overseas business and deepened business line management and resources integration. Besides, it achieved business transformation and upgrade, from the business mode concentrating on retail brokerage to a financial service platform with multiple business lines. As of the end of the Reporting Period, as for securities trading, Huatai Financial Holdings (Hong Kong) achieved 15,695 customers, with the total assets under custody of HKD6.327 billion and the total stocks trading volume of HKD26.869 billion; as for futures contract trading, it achieved 1,092 customers, with funds under custody reached HKD0.11 billion and the total futures trading of 74.4 thousand board lots; as for advising on securities, it provided research reports and advisory services for about 3,500 customers; as for advising on corporate finance, it participated in 3 IPO projects, 1 allotment project and 6 bond issue projects, with a total underwriting quantity of 10 and the total amount of trading and issuance reaching about 3.545 billion dollars; as for financing for securities deposits, it achieved 4,723 credit capital accounts, with the accumulated credit amount of HKD91.2615 million; as for providing assets management, it achieved a total amount of funds under custody funds of HKD260.698 billion (including the scale of funds under custody of AssetMark). Besides, during the Reporting Period, Huatai Financial Holdings (Hong Kong) also completed 13 financial advisory projects and 7 structured investments and financing projects.

During the Reporting Period, the Company finished the acquisition of a U.S. company AssetMark. AssetMark is a leading turnkey asset management platform (TAMP) in the market as a third party financial service organization that provides a series of services such as investment strategies and assets portfolio management, customer relationship management and asset custody, as well as an advanced and convenient technology platform. As of the end of the Reporting Period, the asset under management of the AssetMark platform reached USD32.251 billion with over 7,200 investment service consultants.

In addition, there were other drivers from the headquarters, such as interest income and expenses arising from the use of general working capital, the expenses of the middle and back offices, and the income from the investment to associates. The current operating income of other businesses decreased significantly over the same period

in 2015, mainly due to the decrease in interest and investment incomes of liquidity management, while the significant decrease in cost was due to the decrease in operating revenue and the decrease in accrual labor cost of headquarters.

3. *Prospect of year 2017*

In 2017, the Company will build a globalized management system covering all business lines, greatly strengthen internationalized risk prevention, control and management ability and constantly improve overseas market service ability. As for investment banking, the Company will further exploit and accumulate project resources, and provide customers with integral financial plan and overseas financing support of full life circle by taking cross-border acquisition and merger as the sally port. As for sales & trading business, the Company will constantly improve the cross-market service system and ability, and expand the customer service range. As for assets management business, the Company will vigorously develop overseas customers, actively exploit new products and business modes, and constantly improve global asset allocation capability. Besides, the Company will accelerate the construction of overseas financial product platform, and strengthen cross-market asset allocation foundation. Meanwhile, the Company will embark on deep cooperation with AssetMark in the area of wealth management to gradually promote improvement of technology platform, optimization of management service process and synergy of products, so as to enhance the core competitiveness of the Company.

(VI) *Business innovation and its effects on the Company's business performance and future development, as how to control relevant risks*

1. *Main business innovation and its effects on the Company's business performance and future development*

As for credit innovation business, during the Reporting Period, the Company actively promoted pilot project for innovation of private equity financing business so as to meet customers' financing demand for subscribing listed companies' private equity stocks. Besides, the Company also actively promoted pilot projects for innovation of share financing business of asset management plan. Credit innovation business was carried out to supplement the Company's existing product lines and business scope; not only can it help create interest income, but also improve customer structure and business operation mode, strengthen the Company's profitability, and further improve the Company's brand influence.

As for OTC derivatives business, during the Reporting Period, supervision for OTC derivatives market became stricter. The Company actively paid attention to business and market development opportunities, enhanced the research on market trend, constantly explored business innovative development mode, enriched and improved business contents, and further developed business scope and depth. OTC derivatives,

as the stabilizer of investment business, can provide more room for innovation on investment business, help promote product diversification in capital market, meet diversified demands of customers, and further enlarge the source of income of securities traders.

As for exchange traded option business, in 2015, after being approved by Shanghai Stock Exchange, the Company became a participant of stock option trading of Shanghai Stock Exchange, and started stock option brokerage and proprietary businesses. Besides, the Company became the major market maker of Shanghai 50 ETF option contract varieties after being approved by CSRC and Shanghai Stock Exchange. During the Reporting Period, the Company actively carried out option market making business; the exposure of position risk was controllable and exercise of options was stable; the Company ranked A in monthly ranking for major market maker and annual Grade-A market marker. Exchange-traded option business has enriched quantitative investment strategies and provided diversified investment and risk management tools.

As for precious metal brokerage, it helps individual & institutional clients open precious metal spot contract transaction account and handle trading business. As of the end of the Reporting Period, the Company has developed 2 institutional clients and 18 individual clients, with an accumulated amount of Ag (T+D) reaching RMB123.6 thousand, and an accumulated amount of Au (T+D) reaching RMB262.4 thousand. Carrying out this business can help increase new agent transaction qualifications, enrich the varieties of agent transaction business, expand customers' investment and asset allocation scope, widen business income channel and strengthen business differentiation advantage.

2. *Risk control for business innovation*

During the Reporting Period, the Company constantly facilitated business innovation activities, promoted the innovation of the Company's new business lines, new products, services and management modes, and improved its innovation ability. During innovation business operation, the Company adhered to the principle — "satisfying market needs, pursuing legally viable approach, enhancing risk control and ensuring efficiency", further improved the risk control measures for organizational mechanisms, authorization for decision-making, systems & procedures and other aspects as per the risk characteristics of innovation business, prevented the risks of insufficient awareness on the risks of innovation business, unreasonable business design and imperfect control mechanism, and ensured that all innovation businesses could be carried out constantly and steadily on the premise that the risks are measurable, controllable and bearable.

As for credit innovation business, during the Reporting Period, the Company released "share financing business of asset management plan" and other innovation business varieties. The Company made pertiment customer credit checking and extension management, pledged goods admittance management, project review management and other risk management mechanisms as per the risk management for original credit business as well as specific characteristics of innovation business, and strengthened the

management of pledged goods market risk and liquidity risk, customers or the counter-party's credit risk and other business risks.

As for OTC derivatives business, the Company prepared risk control measures and system covering all business process nodes by taking counter-party assessment, selection of subject securities, setting of transaction limits, risk hedging management, daily marking-to-market and risk disposition into consideration. Besides, the Company took positive measures in the aspects of model verification and estimate value re-checking so as to prevent model risk. During business operation, business front-line personnel were responsible for daily marking-to-market; the Risk Management Department was responsible for secondary monitoring and detailing the assessment for credit risk, market risk and liquidity risk on the basis of the original risk management measures so as to ensure the risk level in the business process can meet all limit index requirements.

As for exchange traded option business, the Company carried out whole process monitoring and assessment for the risk condition during option business operation, prepared risk limitation, operation procedures and emergency plan, set up risk hedging mechanism, and conducted daily marking-to-market, including but not limited to the capital scale of option business, risk exposure and Greek letter condition, gain/loss rate of investment project, occupation condition of margin, etc. Wherein, the occupation condition of margin included ratio of daytime real-time margin and ratio of end-of-day maintenance margin; early warning mechanism was set to ensure business risks are controllable.

As for precious metal brokerage, the Company established normative systems & procedures, post division and customer propriety management requirements, etc., improved the risk monitoring indexes in the aspects of front control, risk pre-warning and query, established customer performance guarantee rate, dynamic tracking, pre-warning and monitoring mechanism for customer's unusual transaction, and established daily marking-to-market, position limit management, large trader reporting, warehousing management, risk trial and other management mechanisms. Besides, the Company carried out whole process monitoring and assessment for the risk condition during precious metal brokerage, conducted daily monitoring for the overall condition of precious metal brokerage, customer propriety requirements, customer risk condition and customers' unusual transaction, and made corresponding measures and risk warning mechanism.

II. Main operations during the Reporting Period

By 31 December 2016, on a consolidated basis, the total assets of the Company was RMB401,450,397 thousand, a year-on-year drop of 11.30%; the total equity attributable to shareholders of the Company was RMB84,357,457 thousand, growing by 4.42% over the year earlier; the total income and other gains were RMB24,631,628 thousand, a year-on-year drop of 37.51%; the profit of the year was RMB6,519,488 thousand, decreased by 39.62% over the year earlier; the current profit attributable to the shareholders of the Company was RMB6,270,612 thousand, a year-on-year decline of 41.38%.

1. Analysis of changes of items in profit statement and cash flow statement

Unit: thousand yuan Currency: RMB

Item	Amount in the current period	Amount in the same period of last period	Change percentage (%)
Total income and other gains	24,631,628	39,415,525	(37.51)
Total expenses	(16,492,187)	(25,572,104)	(35.51)
Profit before income tax	8,593,428	14,263,497	(39.75)
Profit for the year attributable to the shareholders of the company	6,270,612	10,696,871	(41.38)
Net cash generated from operating activities	22,019,862	(46,417,732)	(147.44)
Net cash generated from investment activities	(4,462,651)	(21,122,340)	(78.87)
Net Cash (used in)/generated from financing activities-net value	(5,009,663)	53,833,089	(109.31)
Net (decrease)/increase in cash and cash equivalents	12,547,548	(13,706,983)	(191.54)
Research and development expense	(293,479)	(288,803)	1.62

2. Income and other gains

By 31 December 2016, the income and other gains realized by the group were RMB24.632 billion, a year-on-year drop of RMB14.784 billion at 37.51%. It was due to the performance decline of the Company resulting from the severe volatility of the stock market in 2016 which saw a depressed trade, including:

(1) Fee and commission income of RMB11.410 billion, accounting for 46.32%, down by 43.52% year on year. This was mainly due to the impact of the market environment, the single side trading volume of the two stock exchanges falling 48.71% over the same period in 2015, and the fee and commission expenses significantly reduced.

(2) Interest income was RMB8,878 million, accounting for 36.04%, down by 25.36% year-on-year. This was mainly due to the balance of the market's trading on margin financing and securities lending at the end of 2016 decreased by 20.01% compared with that at the end of 2015, while the daily balance of the company's trading on margin financing and securities lending fell compared with that in 2015, of which the interest dropped.

(3) The net investment income was RMB3.976 billion, accounting for 16.14%, down by 41.16% year on year. It was mainly due to the fact that in 2016 the stock market, bond market and foreign exchange market underwent adjustment and wild change, and the market environment was more complicated than that in 2015, and thus the self-investment business fell.

Below is the group's income and other gains detail in the Reporting Period:

Unit: thousand yuan Currency: RMB

Item	2016		2015		Growth and Drop	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission income	11,409,918	46.33%	20,200,431	51.25%	(8,790,513)	(43.52)%
Interest income	8,877,946	36.04%	11,893,681	30.18%	(3,015,735)	(25.36)%
Net investment income	3,976,115	16.14%	6,757,198	17.14%	(2,781,083)	(41.16)%
Other incomes and gains	367,649	1.49%	564,215	1.43%	(196,566)	(34.84)%
Total income and other gains	24,631,628	—	39,415,525	—	(14,783,897)	(37.51)%

3. Total expenditure

For the year ended on 31 December 2016, the group's total expenditure was RMB16.492 billion, representing a year-on-year decrease of 35.51%. The decrease was mainly due to the drop in cost and other expenses resulting from the decrease in income and other gains over the year earlier, which including:

(1) Fee and commission income of RMB2.562 billion, decreased by 54.87% year on year. This was mainly due to the sharp decrease of equity fund, the brokers commission and operating expenses reduced compared with the year earlier, and the drop of corresponding fees payable to the exchange as well as the commission income from brokerage.

(2) Interest expense of RMB5.393 billion, down by 30.96% year on year. This was mainly due to the decline of the funds required in the capital intermediary business, so the corresponding interest expenses declined;

(3) Employee cost of RMB5.648 billion, down by 30.62% year on year. This was mainly due to the decline in operating income of the Company, resulting in the decline of salaries of the client managers and performance bonuses for employees.

(4) Other expenses include depreciation and amortization expenses, business tax and surtax, as well as asset impairment losses (provision)/provision and other operating expenses. Other operating expenses during the Reporting Period were RMB2.889 billion, representing a decrease of 26.74% year on year. The decrease was attributable to the decrease in operating income and the corresponding decrease in the accrual expenses to the exchange and other operating expenses.

Unit: thousand yuan Currency: RMB

Item	2016		2015		Growth and Drop	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Commission and handling expenditure	(2,561,665)	15.53%	(5,675,615)	22.19%	3,113,950	(54.87)%
Interest expenditure	(5,393,487)	32.70%	(7,812,191)	30.55%	2,418,704	(30.96)%
Labor cost	(5,648,420)	34.25%	(8,141,192)	31.84%	2,492,772	(30.62)%
Depreciation and amortization expenses	(408,527)	2.48%	(332,752)	1.30%	(75,775)	22.77%
Business tax and surcharges	(450,613)	2.73%	(1,722,544)	6.74%	1,271,931	(73.84)%
Other operating expenditure	(2,066,228)	12.53%	(1,814,551)	7.10%	(251,677)	13.87%
Asset impairment-loss	36,753	(0.22)%	(73,259)	0.29%	110,012	(150.17)%
Total expenditure	(16,492,187)	100%	(25,572,104)	100%	9,079,917	(35.51)%

4. Analysis of income and other revenues and expenditures

(1) Analysis of departmental revenue and other revenues

Unit: thousand yuan Currency: RMB

Business	Amount of segment revenue and other revenues in this period	Total ratio of segment revenue and other revenues in this period (%)	Segment revenue and other revenues in the same period of last year	Total ratio of segment revenue and other revenues in the same period of last year (%)	YoY growth and drop of ratios of segment revenue and other revenues
Brokerage and wealth management business	15,559,308	63.17	28,666,367	72.73	Down by 9.56 percentage point
Investment banking	2,512,098	10.20	1,907,598	4.84	Up by 5.36 percentage point
Asset management	3,173,989	12.89	2,505,858	6.36	Up by 6.53 percentage point
Investment and trading	2,337,922	9.49	4,521,327	11.47	Down by 1.98 percentage point
Overseas business and others	1,089,259	4.42	1,970,915	5.00	Down by 0.58 percentage point

During the Reporting Period, the consolidated income and other revenues of the Company were RMB24,631,629 thousand, decreasing by 37.51% YoY. Among the main businesseses, the revenues from brokerage and wealth management business and investment and trading business were reduced by RMB13,107,059 thousand and RMB2,183,405 thousand YoY respectively, while the revenues from investment banking business and asset management business increased by RMB604,500 thousand and RMB668,131 thousand YoY respectively.

As for the income structure, the market share of the Company's stock fund transaction continues to increasd and ranked first in the market, but the percentage of income from brokerage and wealth management in total income and other revenues dropped by 9.56 percentage points compared with that of 2015, which was due to the sharp fluctuation in the Shanghai and Shenzhen stock index, the dramatic decline in trading volume and the decrease in the balance of margin financing and securities lending in the market. However, the Company takes the expansion in market financing as an opportunity to increase the business scale and income of investment banking and asset management. The percentage of the revenues from two businesses to the total segment revenue and other revenues increased by 5.36 percentage point and 6.53 percentage point YoY.

(2) Analytical form of departmental expenditures

Unit: thousand yuan Currency: RMB

Business	Segment expenditures in this period	Total ratio of segment expenditures in this period (%)	Segment expenditures in the same period of last year	Total ratio of segment expenditures in the same period of last year (%)	YoY growth and drop ratio of segment expenditures
Brokerage and wealth management business	(9,986,520)	60.55	(16,490,926)	64.49	Down by 3.94 percentage point
Investment banking	(1,567,059)	9.50	(1,261,818)	4.93	Up by 4.57 percentage point
Asset management	(1,017,082)	6.17	(852,766)	3.33	Up by 2.84 percentage point
Investment and trading	(902,133)	5.47	(1,573,213)	6.15	Down by 0.68 percentage point
Overseas business and others	(3,059,638)	18.55	(5,399,064)	21.11	Down by 2.56 percentage point

According to the ratio of expenditures of each business segment to the total expenditures of the Company, the percentage of expenditures of brokerage and wealth management, investment and trading, overseas business and other business to the total expenditures of the Company decreased by 3.94%, 0.68% and 2.56% YoY respectively; the percentage of expenditures of investment banking and asset management to total expenditures increased by 4.57% and 2.84% respectively YoY. The income from the brokerage and wealth management and investment and trading reduced greatly YoY, and the corresponding expenditures also declined, so the ratio

of departmental expenditures decreased. The income from investment banking and asset management and the corresponding expenditures increased, and in 2016 the overall expenditures of the Company showed a YoY sharp decline, so the percentage of expenditures of investment banking and asset management increased.

5. Cash flow

Unit: Thousand Yuan Currency: RMB

Item	Current amount	Previous amount over the same period	Amount increased or decreased	Increase or decrease rate (%)
Net cash (used in)/generated from operating activities	22,019,862	(46,417,732)	68,437,594	(147.44)
Net cash (used in)/generated from investing activities	(4,462,651)	(21,122,340)	16,659,689	(78.87)
Net cash (used in)/generated from financing activities	(5,009,663)	53,833,089	(58,842,752)	(109.31)
Net (decrease)/increase in cash and cash equivalents	12,547,548	(13,706,983)	26,254,531	(191.54)

During the Reporting Period, the net increase of the cash and cash equivalents of the Group were RMB12,547,548 thousand, including:

(1) The net cash generated from operating activities was RMB22,019,862 thousand, decreasing by 147.44% YoY, largely due to the decrease in cash held on behalf of brokerage clients.

(2) The net cash used in investing activities was RMB4,462,651 thousand, decreasing by 78.87% YoY, largely due to the decrease in cash paid in investment securities.

(3) The net cash used in financing activities was RMB5,009,663 thousand, decreasing by 109.31% YoY, largely due to the decrease in financing scale of the Company this year.

6. R&D Investment

Unit: Ten Thousand Yuan Currency: RMB

R&D investment in current expenditure	9,586.93
R&D investment in current capitalization	19,760.95
Total R&D investment	29,347.88
The proportion of total R&D investment to net assets (%)	0.34
The proportion of total R&D investment to operating income (%)	1.73
Number of R&D personnel of the Company	560
The proportion of the number of R&D personnel to total number of the staff (%)	8.04
Proportion of capitalization of R&D investment (%)	67.33

To change the wealth management mode and increase the influence of the APP "ZhangLe Fortune Path", the Company kept giving priority to R&D. To improve operating profits and management efficiency, the Company invested RMB293,478,800 in self-development, joint development, entrusted development and hardware.

7. Detailed information of the major changes in profit structure or profit source of the Company

Unit: thousand yuan Currency: RMB

Item	Current amount	Previous amount over the same period	Year-on-year change (%)	Major influence factors
Total income and other gains	24,631,628	39,415,525	(37.51)	Decrease in stocks and funds trading volume and scale of capital brokerage business, and reduction of income from investment
Total expenditure	(16,492,187)	(25,572,104)	(35.51)	The decrease in the fee and commission income and the interest income from capital brokerage causes the decrease fee and commission expenses and interest expenses
Operating profits	8,139,441	13,843,421	(41.20)	Decrease in total revenue and other incomes
Earnings before income tax	8,593,428	14,263,497	(39.75)	Decrease in total revenue and other incomes
Profits of this year	6,519,488	10,797,908	(39.62)	Decrease in total revenue and other incomes
Specifically, the profits of this year that belong to shareholders of the parent company	6,270,612	10,696,871	(41.38)	Decrease in total revenue and other incomes
Total assets	401,450,397	452,614,615	(11.30)	Decrease in the cash and financial assets held on behalf of the brokerage clients
Total liabilities	315,790,200	371,085,844	(14.90)	Reduction on liabilities with interest and outflow of clients' funds
Total shareholders' equities	85,660,197	81,528,771	5.07	Operating results and profit distribution of 2016

(II) Analysis of the main items in Comprehensive Financial Condition Form

1. Comprehensive Financial Condition Form

Unit: thousand yuan Currency: RMB

Item	31 December 2016 Amount	31 December 2016 Ratio	31 December 2015 Amount	31 December 2015 Ratio	Growth and Drop Amount	Growth and Drop Ratio
Non-current assets						
Property and equipment	3,567,451	0.89%	3,379,018	0.75%	188,433	5.58%
Investment property	1,130,268	0.28%	1,301,531	0.29%	(171,263)	(13.16)%
Goodwill	2,091,252	0.52%	51,342	0.01%	2,039,910	3973.18%
Other intangible assets	5,509,024	1.37%	424,968	0.09%	5,084,056	1196.34%
Interests in associates	3,075,521	0.77%	2,673,834	0.59%	401,687	15.02%
Interests in joint ventures	301,756	0.08%	—	—	301,756	—
Held-to-maturity investments	5,000	0%	5,000	0%	—	—
Available-for-sale financial assets	31,218,115	7.78%	25,624,381	5.66%	5,593,734	21.83%
Financial assets held under resale agreements	8,930,396	2.22%	3,843,367	0.85%	5,087,029	132.36%
Financial assets at fair value through profit or loss	1,294,444	0.32%	1,200,000	0.27%	94,444	7.87%
Refundable deposits	8,158,628	2.03%	6,009,300	1.33%	2,149,328	35.77%
Deferred tax assets	556,094	0.14%	212,609	0.05%	343,485	161.56%
Other non-current assets	79,070	0.02%	78,174	0.02%	896	1.15%
Total non-current assets	65,917,019	16.42%	44,803,524	9.90%	21,113,495	47.12%
Current assets						
Accounts receivable	991,413	0.25%	621,554	0.14%	369,859	59.51%
Other receivables and prepayments	5,070,483	1.26%	3,896,218	0.86%	1,174,265	30.14%
Margin accounts receivable	56,605,104	14.10%	67,432,118	14.90%	(10,827,014)	(16.06)%
Available-for-sale financial assets	12,518,447	3.12%	12,494,340	2.76%	24,107	0.19%
Financial assets held under resale agreements	37,400,786	9.32%	21,791,161	4.81%	15,609,625	71.63%
Financial assets at fair value through profit or loss	81,812,787	20.38%	130,038,108	28.73%	(48,225,321)	(37.09)%
Derivative financial assets	106,591	0.03%	334,750	0.07%	(228,159)	(68.16)%
Clearing settlement funds	1,228,801	0.31%	2,551,703	0.56%	(1,322,902)	(51.84)%
Cash held on behalf of brokerage clients	94,568,934	23.56%	131,944,524	29.15%	(37,375,590)	(28.33)%
Cash and bank balances	45,230,032	11.27%	36,706,615	8.11%	8,523,417	23.22)%
Total current assets	335,533,378	83.58%	407,811,091	90.10%	(72,277,713)	(17.72)%
Total assets	401,450,397	100%	452,614,615	100%	(51,164,218)	(11.30)%

Item	31 December 2016 Amount	31 December 2016 Ratio	31 December 2015 Amount	31 December 2015 Ratio	Growth and Drop Amount	Growth and Drop Ratio
Current liabilities						
Short-term bank loans	460,255	0.15%	688,322	0.19%	(228,067)	(33.13)%
Short-term debt instruments issued	1,621,000	0.51%	1,053,004	0.28%	567,996	53.94%
Placements from other financial institutions	6,650,000	2.11%	3,000,000	0.81%	3,650,000	121.67%
Accounts payable to brokerage clients	92,728,837	29.36%	128,367,379	34.59%	(35,638,542)	(27.76)%
Employee benefits payable	2,517,090	0.80%	2,807,787	0.76%	(290,697)	(10.35)%
Other payables and accruals	79,671,695	25.23%	99,320,062	26.76%	(19,648,367)	(19.78)%
Current tax liabilities	495,647	0.16%	2,193,031	0.59%	(1,697,384)	(77.40)%
Financial assets sold under repurchase agreements	19,463,375	6.16%	22,392,019	6.03%	(2,928,644)	(13.08)%
Financial liabilities at fair value through profit or loss	2,756,267	0.87%	14,479,838	3.90%	(11,723,571)	(80.96)%
Derivative financial liabilities	864,011	0.27%	2,460,345	0.66%	(1,596,334)	(64.88)%
Long-term bank loan due within one year	—	—	125,000	0.03%	(125,000)	(100)%
Long-term bonds due within one year	25,900,000	8.20%	2,998,178	0.81%	22,901,822	763.86%
Total current liabilities	233,128,177	73.82%	279,884,965	75.42%	(46,756,788)	(16.71)%
Net value of current assets	102,405,201	—	127,926,126	—	(25,520,925)	(19.95)%
Total assets less current liabilities	168,322,220	—	172,729,650	—	(4,407,430)	(2.55)%
Non-current liabilities						
Long-term bonds	49,947,816	15.82%	69,374,000	18.69%	(19,426,184)	(28.00)%
Long-term bank loans	—	—	359,985	0.10%	(359,985)	(100)%
Long-term employee benefits payable	4,988,352	1.58%	3,366,621	0.91%	1,621,731	48.17%
Deferred income tax liabilities	2,562,144	0.81%	351,819	0.09%	2,210,325	628.26%
Financial assets sold under repurchase agreements	—	—	10,800,000	2.91%	(10,800,000)	(100)%
Financial liabilities at fair value through profit or loss	25,163,711	7.97%	6,948,454	1.87%	18,215,257	262.15%
Total non-current liabilities	82,662,023	26.18%	91,200,879	24.58%	(8,538,856)	(9.36)%
Net assets	85,660,197	—	81,528,771	—	4,131,426	5.07%

Item	31 December 2016 Amount	Ratio	31 December 2015 Amount	Ratio	Growth and Drop Amount	Ratio
Shareholder's equity						
Share capital	7,162,769	8.36%	7,162,769	8.79%	—	—
Reserve	60,999,752	71.21%	58,390,133	71.62%	2,609,619	4.47%
Undistributed profit	16,194,936	18.91%	15,232,023	18.68%	962,913	6.32%
Total equities attributable to shareholders of the company	84,357,457	98.48%	80,784,925	99.09%	3,572,532	4.42%
Non-controlling interest	1,302,740	1.52%	743,846	0.91%	558,894	75.14%
Total shareholders' equities	85,660,197	100%	81,528,771	100%	4,131,426	5.07%

As of 31 December 2016, the non-current assets of the Group reached RMB65.917 billion, increasing by RMB21.113 billion as compared to the beginning of the year. It was because the available-for-sale financial assets increased by RMB5.594 billion, recoursable financial assets acquired increased by RMB5.087 billion, other intangible assets by RMB5.084 billion, refundable deposits by RMB2.149 billion, and goodwill by RMB2.04 billion. As of 31 December 2016, the non-current liabilities of the Group reached RMB82.662 billion, decreasing by RMB8.539 billion as compared to the beginning of the year. It was mainly because the long-term bonds decreased by RMB19.426 billion, financial assets sold for repurchase decreased by RMB10.8 billion and the financial liabilities measured at fair value whose changes were recorded in the profits and losses of the current period increased by RMB18.215 billion.

As of 31 December 2016, the non-current assets of the Group was RMB335.533 billion, decreasing by RMB72.278 billion as compared to the beginning of the year. It was mainly because financial assets measured at fair value whose changes were recorded in the profits and losses of the current period reduce by RMB48.225 billion, the cash held on behalf of the brokerage clients reduced by RMB37.376 billion, the lent funds receivable reduced by RMB10.827 billion, and recoursable financial assets acquired increase by RMB15.610 billion. As of 31 December 2016, the non-current liabilities of the Group reached RMB233.128 billion, decreasing by RMB46.757 billion as compared to the beginning of the year. It was mainly because the accounts of brokerage clients reduced by RMB35.639 billion, other amounts payables and accrued expenses reduced by RMB19.648 billion, the financial liabilities measured at fair value and whose changes were recorded in the profits and losses of the current period reduced by RMB11.724 billion and the long-term bonds due within one year increased by RMB22.902 billion.

2. *The limitation condition of the prime assets as of the end of the Reporting Period*

As of the end of the Reporting Period, no prime assets of the Company were seized, detained, frozen, mortgaged or pledged, and they were not under the circumstance that they can, or cannot be realized or can be used to pay the debts under a certain condition. The prime assets were not occupied, used or benefited, and the disposal of them was not limited.

3. *Description of the changes in the measurement property of the assets measured at fair value and the prime assets*

Fair value refers to the price received by selling one asset or the price paid for transferring one liability by the market participants during the orderly transactions on the measurement date.

When the Group estimates the fair value, it considers the characteristics (including the status and location of the assets, the limitation to sell or use them, etc.) that the market participants consider when they price the related assets or liabilities at the measurement, and adopts the currently suitable valuation techniques that are supported by adequate available data and information. The valuation techniques used include market approach, income approach and cost approach.

As fair value has an important impact on the financial condition and operating results of the Company, the Company continues to improve the measurement, audit, reporting and disclosure of fair value. During the Reporting Period, the Company classified financial instruments in strict accordance with the accounting policies and accounting system adopted by the Board of Directors, and confirmed their fair values.

During the Reporting Period, the impact of changes in profits and losses of fair value on the Company's profits was as follows:

Unit: yuan Currency: RMB

Item	Impact on the profits of 2016	Impact on the profits of 2015
Financial assets measured at fair value whose changes are recorded in the profits and losses of the current period	(960,864,499.50)	(48,085,136.36)
Financial liabilities measured at fair value whose changes are recorded in the profits and losses of the current period	(793,484,550.93)	780,673,651.69
Derivatives	1,414,644,981.30	(1,448,622,228.43)
Total	(339,704,069.13)	(716,033,713.10)

4. *Structure and quality of assets*

As of 31 December 2016, the shareholders' equity of the Group amounted to RMB85.66 billion, representing an increase of RMB4.131 billion as compared to that at the beginning of the year, largely due to the increase in profits of the Group.

The asset structure of the Group continued to be optimized, and the assets have good quality and liquidity. As of 31 December 2016, the assets of the Group amounted to RMB401.45 billion, decreasing by RMB51.164 billion as compared to that at the beginning of the year, a fall of 11.3%. Specifically, the cash and bank balances and the provision of settlement fund accounted for 11.57% of the total assets; the financial assets measured at fair value and whose changes are recorded in the profits and losses of the current period, the available-for-sale financial assets, the accounts receivable, other accounts receivable and prepayments accounted for 33.11% of the total assets; the lent funds receivable accounted for 14.10% of the total assets, the cash held on behalf of the brokerage clients accounted for 23.56% of the total assets; the recoursable financial assets acquired accounted for 11.54% of the total assets; the property and equipment accounted for 0.89% of the total assets. Most of the assets show strong cashability. The Group's assets show strong liquidity, and the asset structure is reasonable. As of 31 December 2016, the proportion of current assets to current liabilities is 143.93%, basically the same as that of the beginning of the year.

As of 31 December 2016, the Company obtained funds through loans, debt financing instruments, and such means of financing as interbank lending and repurchase. At the end of the Reporting Period, the loans and debt financing of the Group amounted to RMB84,579,071,422.44. The details are as follows:

Unit: yuan Currency: RMB

Loans and debt financing programs	**At the end of 2016**
Interbank lending	6,650,000,000.00
Short-term borrowing	460,255,000.00
Short-term financing funds payable	1,621,000,000.00
Bonds payable	75,847,816,422.44
Total	84,579,071,422.44

Loans and debt-financing with a financing maturity of more than one year is RMB49.948 billion, accounting for 59.05%. Among them, programs with a financing maturity of one to two years were worth RMB13.592 billion, two to five years were RMB30.365 billion, and more than five years were RMB5.991 billion. Loans and debt-financing programs with a financing maturity of less than one year were RMB 34.631 billion, accounting for 40.95%.

By the end of 2016, the Group's loans with fixed interest rate and debt financing were RMB83.778 billion, of which the balance of interbank lending was RMB6.65 billion, the balance of income receipts was RMB6.18 billion, the balance of corporate bonds was RMB30.583 billion, the balance of subordinated debts was RMB37.6 billion, and the balance of foreign debts was RMB2.765 billion.

At the end of 2016, the cash and cash equivalents of the Group amounted to RMB31.652 billion, and RMB cash and cash equivalents accounted for 88.63%.

As of 31 December 2016, the Company has paid up the long-term bank loans.

5. *Analysis of the profitability of the Company during the Reporting Period*

During the Reporting Period, the revenue and profits of the Company decreased significantly compared with that of 2015, largely due to the sharp decline in total stocks and funds trading volume in the market, the daily average business scale of margin financing and securities lending, etc. In addition, the large fluctuation in stock market led to the significant decrease in the net income from brokerage business, the income from interest of margin financing and securities lending and the income from proprietary investment. However, the Company centered on marketization, continued to deepen the reform and transformation, and endeavored to reduce the decline rate by increasing the market share of the brokerage business and expanding the stock-pledge business. The Company also made expansion in market financing as an opportunity to increase the business scale and income of investment banking and asset management. The decline in revenues and profits of the Company was not as serious as that of the industry average level.

6. *Description of alteration to consolidation scope of the statement*

(1) Mergers of enterprises not under the same Group this year

The Company finished acquiring the equity of AssetMark on 31 October 2016. As of the closing date, AssetMark has become a subsidiary of the Company. The Company indirectly holds its shares and includes it in the consolidated financial statements. Please see Note 24(c) of Notes to the Financial Statement. As of 31 December 2016, the Company indirectly held 98.595% of AssetMark's shares, and other shares were held by the management and employees of AssetMark.

(2) Alteration to consolidated scope resulting from establishment of new subsidiaries

On 31 December 2016, the subsidiaries established this year were included in the consolidation scope. The management of the Company believed that the Company actually controls the newly established subsidiaries, so cost method for long-term equity investment is used for accounting. The 13 new subsidiaries of the Group are included in the consolidated statements.

(3) Alteration to the consolidated scope resulting from the incorporation of newly structured entities

As to the manager or investment adviser and investor of structured entities, the Group assessed the return that the Group was entitled to for the held shares, and combined the influential structured entities whose managers' remuneration made the Group face variable return (mainly refers to asset management plan). The structured entities of the Group, which were included in the consolidated statement this year, decreased by 7 compared with that of last year.

7. The corporate income tax policy during the Reporting Period

During the Reporting Period, the corporate income tax was subject to the Enterprise Income Tax Law of the PRC and the Enforcement Regulations of Enterprise Income Tax Law of the PRC. The calculation and payment methods of the income tax shall be subject to Announcement of the State Administration of Taxation on Issuing the Measures for the Consolidated Collection of Enterprise Income Tax on Trans-regional Business Operations (GJSWZJGG [2012] No. 57). The income tax rate of the Company and its domestic subsidiaries is 25%. The Company enjoys the preferential policy of calculating and deducting R&D expenses, and the profit tax rate of the Hong Kong subsidiary of the Company is 16.5%. Other overseas subsidiaries of the Company are subject to income taxes at tax rates applicable in their jurisdictions.

8. Analysis on the Company's financing channels and capacity

(1) Company's financing channels

The Company's financing channels included equity financing and debt financing. In terms of financing maturity, the Company's short-term financing channels mainly included carrying out credit lending via interbank market, carrying out bond repurchase via interbank market and exchange market, issuing short-term financing notes, corporate bonds, subordinated debt and income credential, carrying out income rights financing in relation to margin financing and securities lending, and asset securitization, etc.; the Company's medium & long-term financing channels mainly include issuing corporate bonds, long-term subordinated debt, project loan and equity refinancing, etc. Based on effective efforts for years, the Company exploited and established a short, medium & long-term financing platform with new-type financing tools and multiple financing channels, which plays a key role in the rapid development process of the Company's business.

(2) Company's liquidity management policies and measures

The Company always attaches importance to liquidity management. As for funds management, it adhered to the principle — "full amount concentrated, allocated in a unified way, valued by classification and monitored timely". In terms of management and development strategies, it paid attention to matching business scale with liabilities. Based on reasonable asset allocation and diversified debt financing, the Company ensured reasonable matching of time limit, scale of assets & liabilities and proper liquidity.

The Company followed the general comprehensive, prudential, predictive principles for liquidity risk management according to the centralized management and hierarchical control management model, established liquidity risk management system based on comprehensive risk management framework, as well as sound liquidity risk management system appropriate to the Company's strategy, implemented liquidity risk management policy with the preference for "safety", or the Company ensured no liquidity risk that would cause significant impact on sustainable operation, so as to fully guarantee the steady, safe and orderly operation of the business of the Company.

To ensure liquidity safety, the Company's main measures include: first, constantly improving the capital planning system, strengthening the management of capital position and cash flow monitoring, and ensuring the security of the daytime liquidity; second, strengthening the management of assets and liabilities period matching, establishing reserves of high quality liquid assets to improve the diversity and stability of financing; third, improving the liquidity risk reporting system to ensure that the management in a timely manner to understand the status of the liquidity risk and its management; fourth, constantly improving liquidity management platform to implement effective reorganization, measurement, monitoring and control on liquidity risk through the information system to ensure that liquidity risk can be measured, controlled and afforded; fifth, analyzing the stress situation of the Company's cash flow and financing gap, evaluating the Company's liquidity risk to bear ability, analyzing the stress test results, and continuously rising pressure resistance ability of the Company's liquidity risk; six, organizing formulation, exercise and evaluation of the liquidity risk contingency plan, and improving the Company's ability to handle liquidity risks.

(3) Analysis of financing capacity and financing strategy of the Company

The Company has regulated management, good prestige, strong capital strength, profitability and debt payment ability, good relationships with commercial banks, plenty of bank credit, steady growth of credit line, and strong short-term and long-term financing abilities. As listed securities dealer, the Company can also solve the long-term development of the capital requirements through equity refinancing mode. Thus, the Company, with a strong financing ability, can raise the funds required for the operation through regulatory permission form of financing mode. The Company will combine the business development situation and take the regulatory permission of financing mode in the future. The financing costs of these financing ways are mainly affected by the changes of capital market interest rates, so the Company will strengthen the tracking and analysis of market interest rate, choose appropriate financing ways and timing, and make every effort to reduce the financing costs under the precondition of ensuring the Company's business needs.

For both liquidity and profitability, the Company held a certain amount of bank deposits and fixed-income products. Interest rate changes will bring direct impact to the Company's interest income in cash, the market price of the bonds held by investment and investment income, etc.. Margin capital intermediary business, such as corporate debt financing, is directly related to interest rates, such as to the appropriate interest income and bring direct impact on financing interest payments. At the same time, the Company's stock investment was also indirectly affected by interest rate changes. In addition, because the Company has registered overseas subsidiaries, whose capital is contributed in foreign currency, the Company holds foreign currency funds and assets, and the change of exchange rate has an impact on the Company's financial situation.

To maintain the liquidity of the Company's assets and rate of return, the Company's own capital is uniformly managed by capital management department, a sound management system and corresponding business processes provided. The Company optimizes the distribution of assets and liabilities structure by timely adjusting all kinds of asset structure, strengthens the research on the interest rate and exchange rate market, and uses the appropriate interest rate, exchange rate and other derivative financial tools to avoid risks and reduce the influence of these factors.

(4) Company's contingencies and their influence on the financial situation

At the end of Reporting Period, the Company's contingencies mainly included providing counter-guarantee to the Bank of China Co., Ltd. for the USD400 million of foreign debt issued by Hong Kong subsidiary of the Company, and contingent liabilities formed by pending litigation and arbitration (see the notes of audit report for details), and the above matters had less effect on the Company's financial situation.

(III) Analysis of industry operation

1. Analysis of the overall operation of the securities industry during the Reporting Period

During the Reporting Period, affected by the drop of stocks and debts price in the market, volume shrinkage, drop of commission rates, tighter supervision and other factors, the annual business performance of the securities industry declined greatly year-on-year. However, due to significant expansion of assets and significant increase of capital strength benefiting from the sustained industry business diversification in recent years, the securities industry's profitability and asset level during the Reporting Period are still in the subprime level of the recent five years.

Currency: RMB

Profit and loss items	2016	2015	Increase or decrease over a year before
Operating income	327.994 billion	575.155 billion	(42.97)%
Net profits	123.445 billion	244.763 billion	(49.57)%

Assets Items	31 December 2016	31 December 2015	Increase and Decrease of the Year over Previous Year
Total Assets	5.79 trillion	6.42 trillion	(9.81)%
Net Assets	1.64 trillion	1.45 trillion	13.10%
Net Capitals	1.47 trillion	1.25 trillion	17.60%

Other items	2016	2015	Increase or decrease over a year before
Number of security companies	129	125	3.20%
Number of profitable companies	124	124	——
Ratio of profitable companies	96.12%	99.20%	Decreasing by 3.08%
Balance of customers' transaction settlement funds (including trading funds)	1.44 trillion	2.06 trillion	(30.10)%
Market value of charged securities	33.77 trillion	33.63 trillion	0.42%
Total commissioned funds of asset management business	17.82 trillion	11.88 trillion	50.00%

Note: during the analysis, the data is selected from the operating data of securities company, which is published by the securities association of China, but is not audited, and statistical caliber is that for parent company.

The operating revenue of the securities company was RMB327.994 billion in 2016, and was reduced by 42.97% with respect to 2015; the net profit was RMB123.445 billion, and was reduced by 49.57% with respect to 2015. At the end of 2016, the total assets of securities company were RMB5.79 trillion, and it were reduced by 9.81% with respect to the end of 2015; the net asset was RMB1.64 trillion, and increased by 13.10% with respect to the end of 2015; the net capital was RMB1.47 trillion, and increased by 17.60% with respect to the end of 2015. There were 129 securities companies in 2016, increasing by 3.20% with respect to 2015, there were 124 profit companies, which were equal to those in 2015; and the companies with positive profits were reduced by 3.08% as compared to 2015.

2. *Analysis of the operation of main businesses in the securities industry during the Reporting Period*

The income structure of the securities industry was further improved and adjusted during the Reporting Period. Securities brokerage business, securities investment business, securities lending and borrowing business were under pressure, which were declining significantly year-on-year; investment banking business and asset management business became the highlights of our performance, with a substantial year-on-year increase, and contribution rate continued to increase.

Currency: RMB

Details of Main Business Income	2016	Proportion	2015	Proportion	Income Increase or Decrease Amplitude
Net income of deputy securities trading business (including seat leaseing)	105.295 billion	32.10%	269.096 billion	46.79%	(60.87)%
Net income of securities underwriting and sponsoring business	51.999 billion	15.85%	39.352 billion	6.84%	32.14%
Net income of financial advisory business	16.416 billion	5.00%	13.793 million	2.40%	19.02%
Net income of investment consulting business	5.054 billion	1.54%	4.478 billion	0.78%	12.86%
Net income of asset management business	29.646 billion	9.04%	27.488 billion	4.78%	7.85%
Securities investment income (including changes in fair value)	56.847 billion	17.33%	141.354 billion	24.58%	(59.78)%
Net interest income	38.179 billion	11.64%	59.125 billion	10.28%	(35.43)%
Total operating income	327.994 billion	100.00%	575.155 billion	100.00%	(42.97)%

Note: during the analysis, the data is selected from the operating data of securities company, which is published by the securities association of China, but is not audited, and statistical caliber is that for parent company.

(1) Securities brokerage business. In 2016, influenced by the factors such as volume shrinkage and drop commission rates, the securities industry achieved a acting sale of securities business net income of RMB105.295 billion (including seat leasing), which was 60.87% lower than that of 2015. Operating income contribution of the securities industry was decreased from 46.79% in 2015 to 32.10%. The balance of customers' transaction settlement funds at the end of 2016 was RMB1.44 trillion (including credit trading funds), which was reduced by 30.10% with respect to the end of 2015; market value of charged securities was RMB33.77 trillion, increasing by 0.42% with respect to the end of 2015.

(2) Investment banking business. In 2016, listing process of the securities market was stable and growing, mergers and acquisitions was active, and the securities industry realized a net income of underwriting, sponsoring and financial advisory business of RMB68.415 billion, which was increased by 28.73% with respect to 2015. Operating income contribution of the securities industry increased from 9.24% in 2015 to 20.85% in 2016.

(3) Securities investment business. In 2016, influenced by the factors such as stock index downward at the end of year, market fluctuation and the like, the securities investment income of securities business (including changes in fair value) was RMB56.847 billion, which is 59.78% lower than that of 2015. Operating income contribution of the securities industry is decreased from 24.58% in 2015 to 17.33% in 2016.

(4) Asset management business. In 2016, the asset management business of securities companies showed an upward trend, and securities industry achieved a net income of asset management business for RMB29.646 billion, an increase of 7.85% compared to that of 2015. Operating income contribution of the securities industry is increased from 4.78% in 2015 to 9.04%. At the end of 2016, the total funds under custody of asset management business are RMB17.82 trillion, an increase of 50.00% with respect to the end of 2015.

(5) Net interest income. In 2016, influenced by the factors such as the decrease of market quotation and capital demand, credit class business scale of the securities company is in continuous contraction, the securities industry realized interest net income of RMB38.179 billion, which is 35.43% lower than that of 2015. Operating income contribution of the securities industry increased from 10.28% in 2015 to 11.64%. According to the WIND information, by the end of 2016, the market of margin financing and securities lending, balance of margin financing and the balance of securities lending are RMB939.249 billion, RMB935.770 billion and RMB3.479 billion respectively, indicating a change of -20.01%, -20.11% and 17.53% with respect to those of the end of 2015 respectively.

(IV) Analysis of investment

1. Analysis of total external equity investment

As of the end of the Reporting Period, the long-term equity investment of the Group was RMB3.377 billion, increasing by RMB703 million from RMB2.674 billion at the beginning of the year, an increase of 26.29%.

Unit: ten thousand yuan Currency: RMB

Invested unit	Initial investment	Increase and decrease of this year	Opening investment
China Southern Asset Management	159,713.43	18,280.01	177,993.44
Huatai-PineBridge	33,850.12	3,104.65	36,954.77
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	52,020.16	15,146.52	67,166.68
Jiangsu SME Financial Product Exchange Co., Ltd.	1,698.85	176.86	1,875.71
Jiangsu Industry and Information Industry Investment Fund (Limited Partnership)	20,100.00	(164.75)	19,935.25
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	—	1,987.43	1,987.43
Huatai Investment (Jiangsu) Capital Market Fund of Funds (Limited Partnership)	—	30,175.63	30,175.63
Suzhou Equity Trading Center Co., Ltd.	—	945.80	945.80
Others	0.82	692.21	693.03
Total	267,383.38	70,344.36	337,727.74

(1) Significant equity investment

Unit: ten thousand yuan Currency: RMB

Name of invested unit	Main business	Shareholding ratio	Amount of contribution/ increased contribution	Opening book value	Increase and decrease of this period	Closing book value	Partner	Profit and loss during the Reporting Period	Change of owner's equity during the Reporting Period
Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	Equity investment	1.57%	2,000.00	—	(12.57)	1,987.43	Inner Mongolia Yili Group Co., Ltd., Huafu Holding Pte. Ltd., Jiangsu Broadcasting Corporation, Tibet Geo-Sun Investment Consultation Co., Ltd., Lin Xiangyan, Three Gorges Capital Holdings Co., Ltd., Xier New Start No. 1 Equity Fund, Tibet Ruichuang Investment Partnership Enterprise (Limited Partnership), Jiangsu Xinhua Newspaper Group Co., Ltd., Yu Xiuyuan, Phoenix Publishing & Media Group Co., Ltd., Shanghai Guangkong Puyi Equity Investment Management Co., Ltd., Sunshine Life Insurance Co., Ltd. and 8 asset management products issued by Huatai Asset Management	(12.57)	—
Suzhou Equity Trading Center Co., Ltd.	Equity trading service	20.00%	1,000.00	—	(54.20)	945.80	Suzhou Oriza Holdings Co., Ltd., Suzhou Industrial Park Economy Development Co., Ltd., Dongwu Innovation Capital Management Co., Ltd., Suzhou Suxin Venture Capital Co., Ltd., Suzhou Property Trading Center Co., Ltd.	(54.20)	—
Huatai Investment (Jiangsu) Capital Market Fund of Funds (Limited Partnership)	Equity investment	10.00%	30,000.00	—	175.63	30,175.63	Shanghai Zhaoyin Equity Fund Management Co., Ltd. and China Merchants Wealth Capital Management Co., Ltd.	175.63	—

Note: 1. the profit and loss during the Reporting Period in this form refers to: the influence of this investment on consolidating the net profits assigned to the parent company;

2. The changed amount of owner's equity during the Reporting Period refers to the influence on consolidating other comprehensive income.

(2) Significant non-equity investment

Unit: ten thousand yuan Currency: RMB

Item	Item progress	Budget amount	Opening balance	Increase of this year	Fixed asset received this year	Closing balance
Huatai Securities Plaza	100%	282,575.24	71,469.42	7,963.92	(79,433.34)	—

(3) Financial assets measured at fair value

Unit: yuan Currency: RMB

Item	Closing investment cost	Closing book value	Investment income during the Reporting Period	The changed amount of fair value during the Reporting Period
Financial assets measured at fair value through profit or loss	82,962,876,812.23	83,107,232,026.80	2,527,553,951.04	(960,864,499.50)
Financial liabilities measured at fair value through profit or loss	27,773,762,601.71	27,919,978,030.69	(1,311,060,208.49)	(793,484,550.93)
Available-for-sale financial assets	37,029,611,817.06	43,736,561,642.99	1,708,037,939.07	882,910,836.27
Held-to-maturity investment	5,000,000.00	5,000,000.00	220,759.97	—
Derivative	1,826,553.16	(757,418,940.03)	1,391,066,792.17	1,414,644,981.30
Total	147,773,077,784.16	154,011,352,760.45	4,315,819,233.76	89,155,785.96

2. Information about the use of the proceeds

(1) Overview of the use of proceeds

① Overview of the use of proceeds from the issuance of A shares

Approved by the *Approval for the Initial Public Offering by Huatai Securities Co., Ltd.* (Zheng jian Xu Ke [2010] No. 138) issued by CSRC, the Company issued 784,561,275 ordinary shares to the public on 9 February 2010, each stock of which was RMB1.00 at an offering price of RMB20.00, and the total amount of proceeds raised was RMB15,691,225,500.00. The proceeds after deducting the underwriting fee and sponsoring fee of RMB130 million were RMB15,561,225,500.00, which were provided in place on 12 February 2010, and verified by Jiangsu Tianheng Certified Public Accountants Co., Ltd. with the capital verification report of "Tian Heng Yan Zi [2010] No. 009". As of 31 December 2012, all the proceeds raised from the IPO were used up and accumulated proceeds of RMB15.681 billion (including interest of proceeds of RMB119,808,200) were used up. All of accounts designated for the use of proceeds had been cancelled with settlement of interests.

② Overview of the use of proceeds from the issuance of H Shares

Approved by the CSRC, the Company completed the issuance of H Shares in 2015. Proceeds from the issuance of H Shares were verified by KPMG Huazhen LLP, and KPMG capital verification report (YZ No. 1501031) was issued.

According to the Capital Verification Report issued by KPMG Huazhen LLP, the net proceeds from the issuance of H Shares in 2015 were RMB30,587,689,604.94 (excluding related listing fees), and the proceeds after deducting the underwriting and issuing fees were RMB30,015,054,696.76. As of the end of the Reporting Period, interest income and exchange gains and losses of the Company on the basis of the proceeds from the issuance of H Shares were RMB81,321,752.25. As of the end of the Reporting Period, the total proceeds were RMB29,968,849,951.28 (including the interest of the proceeds and exchange gains and losses).

As of the date of this announcement, the Company, with respect to its IPO on the Hong Kong Stock Exchange and the issuance of new shares by an over-allotment option, has used the proceeds of: RMB18,352,613,762.96 for capital intermediary business, such as developing securities margin trading, RMB3,058,768,960.49 for expanding investment and transaction businesses, RMB3,058,768,960.49 for investment to Huatai Zijin and capital increment to Huatai Ziguan Company, RMB3,058,768,960.49 for expanding oversea business, and RMB2,439,929,306.85 for operating capital and other general enterprise purposes. Apart from the above usages, surplus capital of the Company's proceeds, about RMB700,161,405.91 (including interest of the proceeds and exchange gains and losses), were not used, which were put into the bank account of the Company. As of 31 December 2016, planned usage of the Company H Share raised funds was consistent with the content of the prospectus disclosure. The Company will continue to put proceeds from H Share issuance into operation according to the development strategy, market conditions and usage plan of proceeds from H Share issuance.

Unit: Ten Thousand Yuan Currency: RMB

Raising Year	Raising Method	Total amount of raised funds	Total amount of the raised capital used in the Reporting Period	Total amount of the accumulated used capital	Total funds raised yet to be used	Usage and whereabout of the unused raised fund
2015	Initial issue (H Share)	3,058,768.96	403,873.94	2,996,885.00	70,016.14	For working capital and others
2010	Initial issue (A Share)	1,556,122.55	——	1,568,103.37	——	——
Total	/	4,614,891.51	403,873.94	4,564,988.37	70,016.14	/
General description on utilization condition of raised fund			——			

Note: in the general usage condition of A Share raised funds, total investment raised funds are more than total original raised funds RMB119,808,200, and it is interest income generated by special raised funds account.

(2) Changes in raised funds

No changes of raised fund of the Company during the Reporting Period

3. Projects not funded by raised capital

During the Reporting Period, the Company did not have non-raised fund investment projects that the total project investment funds are more than 10% of the non-audited net assets of the Company in the last year.

(V) Sales of significant assets and equities

No significant asset or equity sales during the Reporting Period.

(VI) Bankruptcy reorganization, merger or division, major asset disposal, acquisition, replacement, stripping, reorganization and other conditions of the Company

1. The acquisition of the equity of AssetMark Financial Holdings, Inc.

The Company and its subsidiary, Huatai International Finance Limited (hereinafter referred to as "Huatai International Finance") signed stock purchase agreement with AqGen Liberty Holdings LLC. (hereinafter referred to as "AqGen Liberty") on 11 April 2016. Huatai International Finance is conditional to agree to acquire target stocks from AqGen Liberty, namely all issued share capital of AssetMark, directly or through the affiliated company according to the terms, conditions and price specified in the share purchase agreement.

On 4 July 2016, according to the *Letter of Report Documents on No Objection for Capital Increment from Huatai Securities Co., Ltd. to Huatai Financial Holdings (Hong Kong) Limited, and Acquisition of AssetMark Financial Holdings, Inc. by Huatai Financial Holdings (Hong Kong)* (JGBH [2016] No.1529), Securities Fund Supervision Department of CSRC had no objection for the contributed capital of HKD7.8 billion invested by the Company to Huatai Financial Holdings (Hong Kong) and acquired the report document of the Company about acquisition for AssetMark.

On 31 October 2016, as the transaction was approved by American supervision organization and Chinese supervision organization and all transactions prerequisites were met, the Company conducted closing. Final trading consideration paid by the Company was USD768 million. Since the closing date, AssetMark became a subsidiary in indirect holding of the Company.

The Group is committed to expanding existing business and increasing the income source of the Group, so as to enhance shareholder value. This acquisition will bring significant strategic value to the Group: (1) the opportunity to expand investment management services ability. The investment management ability, investment portfolio speciality and concept leader status of AssetMark will strengthen the Group's leading position in the domestic securities industry. (2) Potential of establishing a world level technical solution. This acquisition will provide an opportunity to share best practices for the Group and AssetMark, increase investment and expand existing ability, and establish an enhanced technical solution platform for the customers of the Group.

2. *Bankruptcy reorganization, merger or division, major asset disposal, acquisition, replacement, stripping, reorganization and other conditions of the Company did not exist during the Reporting Period.*

(VII) ***Analysis on key subsidiaries***

1. Huatai United Securities has registered capital of RMB997,480 thousand, which is 99.72% owned by Huatai Securities. As of 31 December 2016, total assets and net assets of Huatai United Securities were RMB7,973,923.9 thousand and RMB6,335,836.8 thousand, respectively. Its operating revenue, total profits and net profits were RMB2,220,304.5 thousand, RMB801,480.6 thousand and RMB598,500.8 thousand, respectively.

   Principal businesses are: securities underwriting and sponsorship (excluding treasury bonds, non-financial corporate debt financing instruments and financial bond underwriting); financial advisory for securities trading and investment related activities; other businesses approved by the CSRC.

2. Huatai Asset Management has registered capital of RMB2,600,000 thousand, which is 100.00% owned by Huatai Securities. As of 31 December 2016, the total assets and net assets of Huatai Asset Management were RMB34,197,586 thousand and RMB4,366,039.6 thousand, respectively. Its operating income, total profit and net profit for the year were RMB2,008,681.6 thousand, RMB1,375,934.2 thousand and RMB1,031,634.1 thousand, respectively.

   Principal business are: securities asset management; publicly offered securities investment funds management (projects that need to be approved by law shall be carried out upon the approval of the relevant authorities).

3. Huatai Zijin Investment has registered capital of RMB6,000,000 thousand, which is 100.00% owned by Huatai Securities. As of 31 December 2016, the total assets and net assets of Huatai Zijin Investment were RMB18,683,489.6 thousand and RMB6,431,691.8 thousand, respectively. Its operating income, total profit and net profit for the year were RMB607,381.2 thousand, RMB503,511.5 thousand and RMB384,002.1 thousand, respectively.

Principal businesses are: equity investment (using its own funds or clients' funds), debt investment, other fund investment associated with equity investment and debt investment; investment consulting and investment management for equity investment and debt investment, and financial consulting (projects that need to be approved by law shall be carried out upon the approval of relevant authorities).

4. Huatai Financial Holdings (Hong Kong) has paid-in capital of HKD8,800,000.0 thousand which is 100.00% owned by Huatai Securities. As of 31 December 2016, the total assets and net assets of Huatai Financial Holdings (Hong Kong) were RMB13,778,035.4 thousand and RMB7,398,673.9 thousand, respectively. Its operating income, total profit and net profit for the year were RMB221,501.9 thousand, RMB-344,893.2 thousand and RMB-364,942.3 thousand, respectively.

   Principal businesses are: investment banking (stock underwriting, bond underwriting, private placement, financial consulting, merger and acquisition, structured financing and investment), sales and trading (provision of trading and market making services for various securities and futures products including shares, fixed income products, credits, futures contracts and structured products; provision of customized financial products and market access proposals for customers; provision of financing services for securities under agency business) and asset management.

5. Huatai Innovative Investment has registered capital of RMB500,000 thousand, which is 100.00% owned by Huatai Securities. As of 31 December 2016, the total assets and net assets of Huatai Innovative Investment were RMB746,449.5 thousand and RMB545,331.0 thousand, respectively. Its operating income, total profit and net profit for the year were RMB148,646.9 thousand RMB-37,957.7 thousand and RMB-32,511.5 thousand, respectively.

   Principal businesses are: project investment, investment management, asset management, investment consulting, corporate management consulting, financial consulting, hotel management, goods import and export, technology import and export, sale of non-ferrous metals, precious metals and related products, metallic materials, metallic ores, non-metallic ores, construction materials, fuels, chemical products, rubber products, coals, glass, asphalt, agricultural and poultry products, fodder, edible oil, jewellery and handicrafts, purchase of gold products, and purchase of silver products.

6. Huatai Futures has registered capital of RMB1,009,000 thousand, which is 60.00% owned by Huatai Securities. As of 31 December 2016, the total assets and net assets of Huatai Futures were RMB23,617,003.1 thousand and RMB1,646,163.2 thousand, respectively. Its operating income, total profit and net profit for the year were RMB1,024,429.3 thousand, RMB270,574.4 thousand and RMB203,886.6 thousand, respectively.

   Principal businesses are: commodities futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund distribution.

7. Jiangsu Equity Exchange has registered capital of RMB200,000.0 thousand, which is 52% owned by Huatai Securities. As of 31 December 2016, the total assets and net assets of Jiangsu Equity Exchange were RMB319,401.1 thousand and RMB241,166.4 thousand, respectively. Its operating income, total profit and net profit for the year were RMB45,849.4 thousand, RMB20,782.4 thousand and RMB15,800.7 thousand, respectively.

   Principal businesses are: provision of premises, facilities and services for approved listing, registration, custody, trading, financing, settlement, transfer, dividend distribution and pledge of equity interests, bonds, assets and related financial products and derivatives of unlisted companies, organization and monitoring of trading activities, issuance of market information, trading of listed products as an agent, and provision of consultation services for market participants.

8. China Southern Asset Management has registered capital of RMB300,000.0 thousand, which is 45.00% owned by Huatai Securities. As of 31 December 2016, the total assets and net assets of China Southern Asset Management were RMB6,374,666.9 thousand and RMB4,136,431.1 thousand, respectively. Its operating income, total profit and net profit for the year were RMB3,002,466.5 thousand, RMB1,096,414.9 thousand and RMB825,787.9 thousand, respectively.

   Principal businesses are: fund raising, fund distribution, asset management and other businesses approved by CSRC.

9. Huatai-PineBridge has registered capital of RMB200,000 thousand, which is 49% owned by Huatai Securities. As of 31 December 2016, the total assets and net assets of Huatai-PineBridge were RMB1,025,918.3 thousand and RMB754,710.6 thousand, respectively. Its operating income, total profit and net profit for the year were RMB720,049.6 thousand, RMB269,149.9 thousand and RMB199,976.3 thousand, respectively.

   Principal businesses are: fund management, promotion and establishment of funds, other businesses approved by CSRC (businesses that need permits shall be carried out with permits).

(VIII) *Information about structured body controlled by the Company*

The structured entities consolidated by the Group mainly refer to the asset management plan of the Group as the manager or investment consultant and investor. The Group carries out a comprehensive assessment of whether the return that the Group is entitled to for the held shares or the payment as a manager of the asset management plan or investment consultant will seriously affect the variable return of the Group, and according to this, determine whether the Group is the main responsible person of the asset management plan. As of 31 December 2016, the Group has consolidated 29 structured entities whose total asset is RMB84,733,107,796.78. The total amount of the available-for-sale financial assets and financial assets measured at fair value and whose changes are recorded in the profits and losses of the current period, which embodies the equity of the Group in the said consolidated structured entities is RMB6,808,104,756.43.

(IX) Other information

1. Establishment and disposition of subsidiaries by the Company during the Reporting Period

(1) Establishment of the subsidiaries by the Company during the Reporting Period

During the Reporting Period, the Company established 13 subsidiaries. the detail is as follows:

Name of Subsidiaries	Principle place of business	Registered place	Business nature	Currency	Registered/ subscribed capital	Shareholding ratio (%) (or ratio of similar interests)	
						Direct	Indirect
Huatai Capital Management (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Futures broker	HKD	33,300,000.00	—	70.00
Yili Huatai Ruida Equity Investment Management Co., Ltd.	Yining	Yining	Investment Management	RMB	2,000,000.00	—	51.00
Yili Huatai Ruida Equity Investment Management (Limited Partnership)	Yining	Yining	Equity investment	RMB	2,000,000.00	—	52.00
Yili Suxin Investment Fund Partnership Enterprise (Limited Partnership)	Yining	Yining	Equity investment	RMB	1,900,000,000.00	—	24.73
Huatai Financial USA Inc	USA	USA	Futures broker	USD	3,000,000.00	—	100.00
Huatai (Hong Kong) Futures Co., Ltd.	Hong Kong	Hong Kong	Futures broker	HKD	33,300,000.00	—	100.00
Huatai International Investment Holdings Limited	Hong Kong	Cayman	Equity investment	USD	1.00	—	100.00
Nanjing Fengtong Investment Center (Limited Partnership)	Nanjing	Nanjing	Equity investment	RMB	1,071,000,000.00	—	100.00
AssetMark Holdings, LLC	USA	USA	Investment management	USD	776,558,642.00	—	98.60
Relian Investment Limited	Shanghai	British Virgin Islands	Equity investment	USD	—	—	21.18
Nanjing Huatai Ruixing Equity Investment Management Co., Ltd.	Nanjing	Nanjing	Investment management	RMB	1,000,000.00	—	51.00
Nanjing Huatai Ruixing Investment Fund Management Partnership Enterprise (Limited Partnership)	Nanjing	Nanjing	Equity investment	RMB	1,000,000.00	—	52.00
Nanjing Huatai Big Health No. 1 Equity Investment Partnership Enterprise (Limited Partnership)	Nanjing	Nanjing	Equity investment	RMB	1,700,000,000.00	—	33.54

(2) Capital increase to subsidiaries by the Company during the Reporting Period

① Capital increase to Huatai Zijin Investment by the Company

To better implement the Company's development strategy of covering the whole business chain, strengthen the competitiveness in the direct investment business sector, further forge an investment platform with brand effect, consolidate the leading advantage in the M&A business, and improve the return on capital, the 22nd meeting of the 3rd session of the Board of the Company agreed to increase the capital of Huatai Zijin Investment based on the actual capital need, and its registered capital was increased from RMB1.1 billion to RMB6 billion. During the Reporting Period, the registered capital of Huatai Zijin Investment has been increased to RMB6 billion, and the relevant business registrations were completed.

② Capital increase to Huatai Financial Holdings (Hong Kong) by the Company

To better promote the internationalization of the business of the Company and expedite the overseas layout of the Company's relevant business, the 28th meeting of the 3rd session of the Board of the Company agreed to increase the capital of Huatai Financial Holdings (Hong Kong) according to the Company's capital arrangement and capital usage demand, and increased the paid-up capital from HKD1 billion to HKD8.8 billion. During the Reporting Period, with the approval of the Regulatory Division of Financial Institution of CSRC through *the Letter Regarding No Objection to the Capital Increase from Huatai Securities Co., Ltd. to Huatai Financial Holdings (Hong Kong), and the Receipt of Submission Documents Concerning the Acquisition of AssetMark Financial Holdings, Inc. by Huatai Financial Holdings (Hong Kong)*, the paid-up capital of Huatai Financial Holdings (Hong Kong) was increased to HKD8.8 billion, and the approval of the Company Registry of the Hong Kong Special Administrative Region and the filing to SFC have been completed.

③ Capital increase to Huatai Securities (Shanghai) Assets Management Co., Ltd. by the Company

To better implement the Company's development strategy of covering the whole business chain, further expand the scale of asset management business, meet the subsequent capital needs for the development of asset management business, improve the competitiveness in the asset management business sector, and guarantee compliance of the risk control standards of Huatai Asset Management Company with the regulatory requirements, during the Reporting Period, the Company made a capital contribution of RMB1.6 billion to increase the registered capital from RMB1 billion to RMB2.6 billion, and the relevant business registrations have been completed.

④ Capital increase to Huatai Futures by the Company

To enhance the capital strength of Huatai Futures, maintain its compliance with the regulatory requirements of net capital, further expand opportunities for the business development of Huatai Futures, keep up with the continuous innovation and rapid change of in futures industry, and effectively enhance the overall competitiveness of the Company in the futures company in the futures business sectors and anti-risk ability, during the Reporting Period, the registered capital of Huatai Futures was increased from RMB809 million to RMB1.009 billion, among which, the capital increase of the Company was RMB120 million, and the shareholding ratio remained unchanged.

(3) Disposition of the subsidiaries by the Company during the Reporting Period

No disposition of the subsidiaries was made by the Company during the Reporting Period.

2. *Establishment and disposition of branches and securities branches by the Company during the Reporting Period*

During the Reporting Period, 23 securities branches were relocated, 3 securities branches de-registered. No establishment, relocation, and de-registration of the branches occurred. As of the end of the Reporting Period, the Company has 29 branches and 242 securities branches in total. See the list of securities branches for details.

(1) Relocation of securities branches during the Reporting Period

S/N	Name of securities branch before relocation	Name of securities branch after relocation	Address	Date of acquisition of license
1	Securities Branch of Huatai Securities, West Dongfeng Road, Guangzhou	Securities Branch of Huatai Securities, Huangpu Avenue West, Guangzhou	Room 1509, No. 638, Huangpu Avenue West, Tianhe District, Guangzhou	4 January 2016
2	Securities Branch of Huatai Securities, New Yangguang Road, Jinan	Securities Branch of Huatai Securities, Huayuan Road, Jinan	No. 35, Huayuan Road, Licheng District, Jinan, Shandong	3 February 2016
3	Securities Branch of Huatai Securities, Xinhua Road, Mudanjiang River	Securities Branch of Huatai Securities, Xiyitiao Road, Mudanjiang River	No. 236, Xiyitiao Road, Xi'an District, Mudanjiang River, Heilongjiang	24 February 2016
4	Securities Branch of Huatai Securities, North Huangge Road, Longgang District, Shenzhen	Securities Branch of Huatai Securities, North Huangge Road, Longgang District, Shenzhen	Unit A102-2, Power Plant 1, Longgang Tian'an Digital Innovation Park, No. 441, Huangge Road, Longcheng Street, Longgang District, Shenzhen	24 February 2016
5	Securities Branch of Huatai Securities, South Zhongshan Road, Xuzhou	Securities Branch of Huatai Securities, West Jianguo Road, Xuzhou	Room 109, 1/F and Room 205, 2/F, Tower 1A, Fortune Plaza, No. 75, West Jianguo Road, Xuzhou, Jiangsu	14 March 2016

S/N	Name of securities branch before relocation	Name of securities branch after relocation	Address	Date of acquisition of license
6	Securities Branch of Huatai Securities, Fuyang Road, Hefei	Securities Branch of Huatai Securities, Chuangxin Avenue, Hefei	4/F, Tower C, Innovation Apartment, No. 2760, Chuangxin Avenue, Gaoxin District, Hefei, Anhui	22 March 2016
7	Securities Branch of Huatai Securities, Biyun Road, Anlu	Securities Branch of Huatai Securities, Zijin Road, Anlu	No. 1, Zijin Road, Anlu, Hubei	26 April 2016
8	Securities Branch of Huatai Securities, Changqing Road, Shennongjia	Securities Branch of Huatai Securities, Shennong Avenue, Shennongjia	No. 225, Shennong Avenue, Songbai Town, Shennongjia Forestry District	10 May 2016
9	Securities Branch of Huatai Securities, Jiulong Avenue, Zhangzhou	Securities Branch of Huatai Securities, Shuixian Street, Zhangzhou	Unit 03-04, 4/F, Tower B, Rongxin. Hilton. Doubletree Hotel, No. 88, Shuixian Street, Longwen District, Tanzhou, Fujian	16 June 2016
10	Securities Branch of Huatai Securities, Weining Road, Shanghai	Securities Branch of Huatai Securities, Xianxia Road, Changning District, Shanghai	1398-1, Xianxia Road, Changning District, Shanghai	29 June 2016
11	No. 2 Securities Branch of Huatai Securities, North Zhongshan Road, Nanjing	No. 2 Securities Branch of Huatai Securities, North Zhongshan Road, Nanjing	8/F, No. 219, North Zhongshan Road, Nanjing, Jiangsu	28 July 2016
12	Securities Branch II of Huatai Securities, Yingbin Avenue, Huadu	Securities Branch II of Huatai Securities, East Xingang Road, Guangzhou	Room 1801 self-compiled, 1808-1810, No. 620, East Xingang Road, Haizhu District, Guangzhou	2 August 2016
13	Securities Branch of Huatai Securities, Jiuquan Road, Lanzhou	Securities Branch of Huatai Securities, Gannan Road, Lanzhou	No. 753, Gannan Road, Lulouxiang Street, Chengguan District, Lanzhou, Gansu	12 August 2016

S/N	Name of securities branch before relocation	Name of securities branch after relocation	Address	Date of acquisition of license
14	Securities Branch of Huatai Securities, Xiaolan of Zhongshan	Securities Branch of Huatai Securities, Xingzheng Road, Zhongshan	Shop 1003, Tower 1, Zhongshan Zhonghuan Square, No. 1, Xingzheng Road, East District, Zhongshan	12 August 2016
15	Securities Branch of Huatai Securities, Middle Xingui Road, Shunde, Foshan	Securities Branch of Huatai Securities, East Dinghu Road, Foshan	Unit A, 26/F of Actual Floor (29/F of Nominal Floor), Tower 2, Youbang Financial Center, No. 1, East Denghu Road, Guicheng Street, Nanhai District, Foshan	25 August 2016
16	Securities Branch of Huatai Securities, Xueyuan Road, Hangzhou	Securities Branch of Huatai Securities, Qiushi Road, Hangzhou	Room 101-1, North Building, AD Building, No. 8, Qiushi Road, Xihu District, Hangzhou	25 August 2016
17	Securities Branch of Huatai Securities, Qingchun Road, Hangzhou	Securities Branch of Huatai Securities, East Jiefang Road, Hangzhou	Room 901, Dikai Yinzuo, No. 29, East Jiefang Road, Jianggan District, Hangzhou	20 September 2016
18	Securities Branch of Huatai Securities, Tianyaoqiao Road, Shanghai	Securities Branch of Huatai Securities, Tianyaoqiao Road, Xuhui District, Shanghai	Room 1103, 1105, 1107, 1109, No. 329, Tianyaoqiao Road, Xuhui District, Shanghai	9 October 2016
19	Securities Branch of Huatai Securities, West Wusi Road, Xining	Securities Branch of Huatai Securities, Wusi Street, Xining	Room 1, 14/F, No. 33, Wusi Street, Chengxi District, Xining	25 October 2016
20	Securities Branch of Huatai Securities, Yangshan Road, Xuzhou Economic and Technological Development Zone	Securities Branch of Huatai Securities, West Daqiao Road, Xinyi	No. 8, West Daqiao Road, Xinyi City, Xuzhou, Jiangsu	31 October 2016

S/N	Name of securities branch before relocation	Name of securities branch after relocation	Address	Date of acquisition of license
21	Securities Branch of Huatai Securities, East Wuyingshan Road, Jinan	Securities Branch of Huatai Securities, Jiefang Road, Jinan	102, Zhengda Times Square, No. 112, Jiefang Road, Lixia District, Jinan, Shandong	31 October 2016
22	Securities Branch of Huatai Securities, Middle Chang'an Road, Xinghua, Taizhou	Securities Branch of Huatai Securities, Middle Yingwu Road, Xinghua, Taizhou	No. 198, Middle Yingwu Road, Xinghua, Jiangsu	17 November 2016
23	Securities Branch of Huatai Securities, Jiubin Road, Yixing	Securities Branch of Huatai Securities, East Jiefang Road, Yixing	No. 177, East Jiefang Road, Yicheng Street, Yixing City	17 November 2016

(2) De-registration of securities branch during the Reporting Period

S/N	Securities branch	Address	Approval document No.	Approval date	Date of verifying letter	Verification opinion letter
1	Securities Branch of Huatai Securities, Shangqingsi Road, Chongqing	Room 2407, Tower A, Pacific Plaza, 2-24-7, Shangqingsi Road, Yuzhong District, Chongqing	YZJXK [2015] No. 6	26 October 2015	18 December 2015	YZJH [2015] No. 125
2	Securities Branch of Huatai Securities, Chang'an Street, Mudanjiang River	Xinda Square, No. 19, Chang'an Street, Xi'an District, Mudanjiang River City, Heilongjiang	HZJXKZ [2015] No. 5	30 October 2015	19 April 2016	HZJJGZ [2016] No. 23
3	Securities Branch of Huatai Securities, North Gulou Road, Taizhou	11-1, North Gulou Road, Hailing District, Taizhou, Jiangsu	SZJJGZ [2016] No. 102	28 April 2016	25 July 2016	SZJH [2016] No. 255

3. Explanation on regulation of ineligible accounts, judicially frozen accounts, risk disposal accounts and pure capital accounts etc.

As of 31 December 2016, our company has 4,373 unqualified securities accounts, 150 judicially frozen accounts, 88,795 risk disposal accounts, and 660,901 pure capital accounts.

The following quality criteria have been met in the compliance management of various accounts by the Company: (1) all accounts involved in the securities transactions are eligible accounts, except for dormant securities accounts, remaining ineligible securities accounts, judicially frozen accounts and risk disposal accounts which are restricted in use; (2) consistency of key information of customers including name and ID number is ensured through regular comparison of capital account information and securities account information so as to avoid opening of any illegible account. The Company has made elaboration on any inconsistencies of key information of customers caused by discrepancy of information registration rules between depositary banks and registration companies or disposal methods of Chinese characters that are rarely used.

Long-term account regulation and management measures are: strengthening daily management of accounts, setting strict requirements on account opening, strengthening verification of identities of investors, continuing to implement and make innovations on account management measures and continuing to improve the long-term account regulation and management mechanism. The Company further improved customer files management system, strengthened management of files of customers opening accounts on the internet and made continuous efforts in the management of paper files and electronic files.

III. Discussion and analysis of the Company's future development

(I) Competition landscape and development trend of the industry

At present, China's economy is at a crucial stage of restructuring, transformation and upgrading, and in comprehensive critical period of deepening reform. The new normal of economic development offered a solid foundation and broad space for the capital market reform and development. As an important platform for the resource allocation in China, capital market will play an important role in the key stage of economic transformation. In the years to come, along with the in-depth advancing of economic supply-side structural reform and the innovation-driven development strategy, the deepening acceleration of financial marketization reform, the continuous improvement of the multi-level capital market system, the development of a more comprehensive policies, laws and regulations system, and the achievements resulting from transformation of the securities supervisory environment, China's securities industry will usher in a new historical stage of rapid development, the securities industry's important role in serving the development of the real economy will be consolidated and enhanced.

In the new historic period, with the traditional brokerage business transformation and the advancement of the continuously diversified product varieties, the brokerage business scope is expanded continuously, the product category is enriched, the connotation the contents of the service is further widened, the demonstration of a pattern of comprehensive development in the securities industry, brokerage business model will embrace a comprehensive innovation. The integration of internal and external resources and the

evolvement towards comprehensive financial service providers will be the inevitable trend of this era. Driven by the cross-licensing of operating institutions for securities, funds and futures as well as the advancement on the application for securities business licenses by qualified financial institutions, the market barrier has been loosen, and the financial institutions are infiltrating into the securities industry. With the boundaries between sectors being increasingly blurred, the value of securities company license is shrinking, competition arising from mixed operations between securities firms and various financial institutions is becoming increasingly fierce, with cross-industry competition in the financial sector increasingly intensified. With the continuously propelled construction of the multi-layer capital market, and the reform, transformation and development of the securities industry, the business scope and space of securities firms will continue expanding and their businesses, and the diversification pattern of development will become the trend for the business development for securities companies. At the same time, higher marketization of the industry and increasingly intensified competition will force securities firms to shift from the homogeneous competition to differentiated competition. The new rules on the regulation of investor qualifications will also expedite the securities companies' implementation of client and product classification, which means differentiated competition will be the breaking point of the transformation of securities companies. Under the implementation of new risk control rules and the continuous development of innovative financing channels of the securities companies, the capital need of securities companies keeps increasing. As more securities companies carry out all-round financing activities through diversified channels such as capital increase and share issuance, the asset scale and capital strength of the securities companies will be significantly enhanced, and scale operation will become an important feature and the core theme for future development of the securities industry.

At present, in the face of the gradually tightened regulation and increasingly intense market competition, the securities companies with strong business strength and sound risk control system will embrace a new development opportunity. The polarization of the industry landscape may accelerate, which will gradually become an industry trend to achieve epitaxial expansion and development through M&A and other ways, and market concentration will be escalated. Along with the optimization of Shanghai-Hong Kong Stock Connect, the starting of Shenzhen-Hong Kong Stock Connect, the loosened restriction over the asset allocation ratio and quota of QFII, RQFII, and the progress made in the research of Shanghai-London Stock Connect, the internationalization of the capital market and the securities industry is accelerated. At the same time, securities companies have speeded up their expansion pace of cross border business, with more securities firms sought expansion opportunities by way of listing and financing overseas, outbound investment and cross-border mergers or acquisitions, and made more efforts on the development of international business. As regulatory authorities regulate, renovate, and smoothly propel the integration of internet and finance, the layout of securities firms' online securities business will continue to be deepened, and mobile trend of internet finance will continue to be deepened in the securities industry, and the service mode of the securities companies will evolve to the intelligent finance with the organic integration of online and offline. In addition, as the progress in the legalized regulation accelerates, along with the deepening of the market regulation and rectification, readiness of the appropriate management system framework, and the establishment and improvement of the risk control index system emphasizing net

capital and liquidity as the core, the long-term stable and healthy development of capital market is further ensured, and the securities industry will achieve the development of standardization and legalization.

Looking into the future, the adjustment of economic structure and the transformation and upgrading of the industry will be the focus and key aspects of the overall development of China. Along with the continuous propulsion of the comprehensive reform program of top-level design, such as supply-side structural reform, reform of state-owned enterprises, reform in the mixed ownership model and the further development and improvement of the fundamental institutions of the capital market, the expansion of the capital market both in space and depth, the accelerating reform of the business environment and profit mode of the securities industry, securities companies will face strategic challenge in the way of achieving substantial development.

In the securities brokerage business sector, with the rapid development of the internet finance, the promotion of the off-site account opening business, as well as the implementation of the "multiple accounts for an individual" policy and the advancing of the marketization for commission rate, the intensified industry competition, and the drop of the commission rate will further compress profitability. Therefore, transformation to comprehensive finance service providers will be the development trend of the securities brokerage business. In the financing sector such as margin financing and securities lending, with the continuous improvement of the regulatory rules, further expansion of the range of the underlying stocks and adjustment/improvement of the permissible conversion rate between the margins and securities, margin financing and securities lending will present a stable development trend and the business structure will be continuously optimized and improved. In the investment banking sector, with the acceleration of IPO, continuous breakthrough in the innovation of the products in the bond market as well as the implementation of new rules and auxiliary measures on re-financing, merger and acquisition and reorganization, securities companies' investment banking business will benefit from the comprehensive propulsion of multi-dimensional reforms of China and the overall market expansion. Securities companies with significant comprehensive strength are expected to reveal better performance growth. In the field of asset management, with the increasing demand for wealth management of residents, the asset management business of securities companies has large room for development. Influenced by multiple factors such as the issuing of new rules on asset management and the tightening regulation, the asset management business of securities companies is slowing down on expansion and the active asset management plan will be the focal point of the development of asset management business. In the securities investment sector, with the continuous diversification and improvement of investment trading strategies and investment trading tools, the increasingly broadened business scope and development space of the securities investment business and the progress on risk hedging capability, the requirements of investors for diversified asset allocation and risk control can be better satisfied. In other business sectors, with the improvement of the auxiliary measures such as categorisation of the market, expansion by market makers and the market transaction mechanism and the advancement on service innovation, the NEEQ will have a significant opportunity of development, following the implementation of the after-events filing mechanism and the management method of the negative list, the continuous rising issuance efficiency of the asset securitization business

and increasingly diversified basic asset categories and transaction structures, the asset securitization business will be an important development direction for the transformation of the active management business; under the regulation and management of the new rules on the filing and registration of private equity funds, the acceleration of the private equity products issuance, the expansion of the scale of private equity fund, securities companies will benefit more from the brokerage business and it is expected to be another important profit growth point for securities companies. With the improvement of the business regulation system and basic frame, and the benefit from the growth in the amount of investors and the deepening of the market, the inventory and trading volume of the stock option market may indicate an continuous growth and this will further expand the income channel for securities companies. With the expansion of the OTC market, alternative investment, internet securities, derivatives and cross-border businesses etc., securities companies with a permission for pilot business are expected to gain profits and the business scope of securities companies will also be further expanded.

(II) The Company's development strategy

1. The Company's future opportunities and challenges

(1) The Company's current and future development opportunities mainly include:

① at present, the economic development of China has entered into a new normal phase. As monetary policies will remain steady and moderate and the importance of the capital market is becoming more prominent, vigorously developing the capital market has become an important supporting point in financial reform. The Company is well aware of current strategic opportunities in the industry and has adhered to self-reform in response to industrial changes. The Company will also fully enhance its core competitiveness and establish a service system covering the whole business chain, so as to ensure the greatest results from the future opportunities in the industry.

② Under the guidance of regulation pursuant to the law, strict regulation and comprehensive regulation, an investor protection system and the management capability regarding investors' appropriateness will become an important aspect of differentiated competitiveness. The Company has adhered to its customer-oriented policy and continued to improve the CRM customer management system. It provides various levels and tiers of services for customers with full respect to customers' different needs. Such strict regulatory environment is in favour of distinguishing the competent players with a sound investor protection system and management capability in investors' appropriateness. Hence, the Company will continue to carry out self-reform in order to seize the re-shuffling opportunity in the industry.

③ The technological reform brought by the Internet still continues, as such, the securities industry carries out reform in mode of operation and management through the Internet. Meanwhile, with leading data of the Internet platform, the coverage of security market will be greatly expanded. The Company has placed emphasis on technology investment and has formed unique competitiveness in financial technology. The Company will continue to use the Internet to further boost its internal operational efficiency, improve the customer service system and enhance online-offline interaction, in an effort to further strengthen its market competitiveness by using financial technology represented by the Internet.

④ With the orderly advancing of the two-way opening of the capital market, the business of securities companies in the PRC will expand to the international market. It will help them increase their international competitiveness at a larger scope, a higher level and a deeper degree. The successful listing of the Company in Hong Kong and the completion on share acquisition of AssetMark will further facilitate its development in overseas business, expand its business development space and enhance its leading edge on cross-border interactive development.

(2) The Company is current and future challenges mainly include:

① How to adapt to the market environment and the development trend of the securities industry, innovate the building of the talent team and management system, build an integrated HR management frame, continuously perfect the mechanism for talent introduction and cultivation and incentive and constraint, increase the international horizon and professional level of staff, comprehensively serve and support the transformation, upgrade, and substantial development of the Company are important issues for the Company to work on actively.

② With the Company becoming increasingly internationalized and the rise of percentage of the assets and income of overseas business, the Company is faced with a more complex market environment and regulation requirements. How to cultivate and increase the international competitiveness of the Company in terms of high-quality services and high-efficiency operation management are major issues for the Company to face in the long run.

2. The Company's development strategy

(1) Strategic guiding principles: Adapting to the new market environment and regulatory environment by capitalizing on the financial system reform and development of capital market in the PRC; focusing on satisfying customers' needs for integrated financial services; setting the establishment of differentiated core competitiveness and the construction of a new business model as priority so as to unswervingly promote transformation, innovation, coordination, regulation and international business.

(2) Strategic vision: Striving to become a first-class integrated financial group with both local advantages and global vision, and become a financial institution with international competitiveness, brand influence and system importance.

(3) Values and operation philosophy: By adhering to the core values of "high efficiency, integrity, stability and innovation" and committing to the operation philosophy of "providing client-oriented services to meet clients' needs and achieve clients' satisfaction", to be accountable to all clients, shareholders, staff and society to achieve harmony and unity.

(4) Strategic measures: Developing an all-rounded business chain; pushing forward innovation and development; focusing on the layout of financial technology; strengthening group governance in a comprehensive manner and accelerating its pace in international development.

3. New businesses the Company intends to carry out

In 2017, the Company intends to launch the following innovative businesses or products, mainly including: stock option brokerage; Hong Kong Stock Connect; spot commodity contract agent of precious metals; pilot consumption payment services of customers' capital; counter market services; self-initiated financing of listed companies via equity incentive; custody of securities investment funds; integrated custody of private equity funds; outsourcing of private equity fund; underwriting of exchangeable corporate bonds, preferred stock, perpetual bond, green bond, panda bond and other debts; cross-border M&A; direct investment funds; securities companies' public funds management; asset securitization; proprietary trading of ordinary options; specialized option trading; market making of stock options; cross-border option trading; OTC derivatives; market making of the NEEQ; proprietary gold spot contracts; carry trade for cash bond; spread trading and inter-type trading for IRS and treasury bond futures; futures asset management; risk management subsidiaries; option business and fund distribution business etc.

(III) ***Business operation plan***

The year of 2017 is a year of reform during which the Company should reshape itself and advance its ability and it is also a year for the Company to fight for transformation and upgrade and strive to the top in the industry. The Company will continue centering on customers, stick to the development strategy of covering the whole business chain, vigorously promote the deepened transformation of the business and service structure, evolve from defining and categorizing the customer groups with a single business angle, so as to accurately seize the diversified requirements and differentiated features of customers, to continue exploring the market and create values for customers through professional financial services. The general guiding principles of the operation and management of the Company in 2017 is: focusing on creating values for customers, restructuring the business system, fully implementing the transformation on wealth management, integrating and upgrading the institutional business system, concretely improving the investment management ability, achieving breakthrough at the focal points of the international

business, diging the whole business chain coordination efficiency, building up the future-oriented differentiated competitive advantages based on professional capabilities and laying a solid foundation in order to realize a new development goal. The Company has prepared an annual operation plan according to the guiding principle of the operation and management mentioned above:

1. *Further advance transformation of comprehensive wealth management and strive to create new advantages in retail and wealth management.*

   The retail business and wealth management are two major platforms that accumulate a large scale of customers and assets, which are also large platforms to integrate resources of the whole business chain system and provide customers with comprehensive financial services. The Company will stick to the transformation for comprehensive wealth management, face extensive customer groups, strive to provide professional, comprehensive securities and financial services, and transfer the development base from agency trade to professional financial services. The work mainly includes: return to the nature of finance, create a retail customer oriented professional marketing service system based on the internet; make efforts to expand the defining scope of customers and accelerate the construction of an comprehensive wealth management system centered on asset configuration.

2. *Comprehensively deepen business interaction and resource collaboration, make efforts to create a new pattern for the development of institution business.*

   The institutional business is a professional service provider, high-end customer introducer, diversified asset creator and also an important pushing force for building differentiated capability. Building the institutional customer service system should be the key task. The Company will build and perfect the interaction mechanism, make efforts to increase the ability to serve institutional customers and facilitate to make innovation and breakthroughs for institutional businesses. The work mainly includes: create a top investment bank platform by focusing on the demand of the companies to grow bigger and stronger; advance the construction of institutional sales and transaction platform by focusing on the demand of professional institutional investors; and create an investment management service brand by focusing on the investment and management demand of institutional customers.

3. *Make efforts to increase the ability on investment and management and strengthen the core competitive advantage for future development.*

   The ability on investment and management not only presents at the aspect of proprietary capital management but also at client capital management. The Company will continue building and perfecting the investment and study system and business operating platform integrating financial products, investment strategy, centralized trading and risk management. The Company will continue advancing systematization, informatization and precision of investment management and make efforts to improve the ability on investment and trading. The work mainly includes: stick to the fundamental principle of "low risk, large scale and absolute profit" and further strengthen the leading position of FICC business; stick to diversified and de-directional development and continue improving the management ability on large-scale capital in equity investment and trading business; make efforts to increase the capability on active management and accelerate the upgrade of the asset management business.

4. *Further deepen and improve the management system, promote the construction of the integrated international business platform both at home and abroad.*

   Internationalization is strategic layout direction of the Company and also an important profitability support in the future. The company in Hong Kong should be considered as a bridgehead so as to form a real internationalization development pattern based on global market and integrated service by means of inner generation and outer extension. It must center on the construction of integrated management system, accelerate to build a compliance and risk management system for the global market business, explore an integrated assessment management system both domestically and externally, and continue to improve the service ability in the overseas market. The work mainly includes: fully utilize AssetMark to create a featured platform for overseas assets allocation of Chinese residents; be capable of serving the global capital market with the subsidiary in Hong Kong as a platform.

5. *Deeply advance transformation and upgrade of compliance and risk management, comprehensively improve the ability on risk identification and prevention.*

   The Company will enhance the precise compliance management ability and active risk management ability, make efforts to advance the transformation and upgrading of compliance and risk management, enhance the executive power of the system and ensure safe and stable development of the Company. The work mainly includes: adhere to the bottom line of compliance, build an active and benefit-oriented compliance management mode; build and perfect a comprehensive risk management system that adapts to the development strategy of the Group and make efforts to improve the professional ability on risk management; fully implement the reform on the capital operation system and improve the management level on liquidity risk, etc.

6. *Comprehensively reform the management notion and create a first-class team with market competitiveness*

   The Company will further comb the business procedures and service specification with the management notion of modern financial institutions according to the demands of customers, shift the management emphasis to service system building and normative development and enhance inspection on execution of the system and specification. The work mainly includes: comprehensively reform the management idea; deeply advance the collaborative linkage within the group; realize strategic integration and service integration; build a team of talents by keeping introducing and cultivating talents.

7. *Comprehensively enhance the building of IT and intermediate and backstage operation system and create differentiated competitive advantages.*

   The function of the IT intermediate & backstage system of securities companies is one of the important manifestations for differentiated operation. The IT system planning, independent development ability and support ability for operation of the large backstage are some of the key factors to see if they can seize the market opportunity and present differentiation with other competitive institutions. The work mainly includes: make efforts to promote independent development and operation of key IT platforms, continue improve the ability on professional IT operation and maintenance and operational support etc.

(IV) the Company's capital needs to sustain the current business and complete the ongoing investment projects

As of the end of the Reporting Period, the Company was at the forefront of the industry in terms of total assets, net assets, net capital and other indicators. The company has built an assets & liabilities system and liquidity management system that not only meet the requirement of strategy and regulation of the Company but is also helpful for the development of businesses via optimizing allocation of assets and liabilities. The Company will enhance the management on capital, liabilities and business within the industry, improve the financing ability, optimize the structure of assets and liabilities and lower the financing cost via enriching the financing sources and expanding the financing channels for various stocks and bonds; realize mobility matching of large assets and liabilities by enhancing the liquidity arrangement of assets to guarantee the equilibrium of the gross volume and reasonable structure of the assets and liabilities of the Company and realize dynamic equilibrium of security, mobility and profitability as well as ensure that the capital strength of the Company matches with its position in the industry.

(V) Potential risks and risk prevention measures

According to the characteristics of the Company and the principles of relevance and importance, the Company may face the following major risk factors which may adversely affect the Company's future development strategy, operational objectives and business operations: market risk, credit risk, liquidity risk, operational risk, compliance risk and information & technology risk etc. Detailed analysis is listed below:

1. Market risk

During the Reporting Period, the Company mainly faced market risks from the following two aspects: one is the potential loss risk in the Company's daily operation due to changes in market factors, mainly representing the impact of the changes of volume of market transactions, the market share for brokerage business, commission rates and scale of asset management business and other factors that may affect the profitability of the Company; the other one is the potential loss risk in the Company's assets, proprietary position or assets management products and combinations of the above due to changes in market prices such as share prices, interest rates and exchange rates, which mainly exists in the proprietary business and asset management business and other investment-related business of securities companies.

The Company took a variety of measures to prevent market risks during the Reporting Period. Generally speaking, the Company has built a relatively complete quota management system and ensured that the risk is under control by front end control via the system. Besides, it also conducts pressure tests in a regular and irregular way to ensure that the overall risks of the Company are under control. The Company adheres to the idea of value-oriented and diversified investment for individual share investment in the aspect of equity portfolio investment, adheres to the risk control idea of "hedging control risk" for quantitative business and derivatives, strictly controls the business exposure at default and lowers the market sensitiveness of the portfolios. The Company uses various derivatives to control the sensitiveness of the interest rate for portfolios at the aspect of constant return equity investment, controls the duration of bond portfolios at a relatively low level and reduces the market value fluctuation of portfolios.

2. *Credit risk*

During the Reporting Period, the Company mainly faced with three kinds of credit risks, namely: (i) loss risks on the Company's funding and interest fees caused by default of financing customers in financing businesses such as margin financing and securities lending, stock repurchase and securities-backed lending; (ii) risk of losses on company guarantee delivery fund caused by default of brokerage customers in guarantee delivery businesses such as stock option and bonds repurchase; and (iii) risk of losses in invested fund or capital receivable of the Company caused by default of issuer of bonds or counterparties in investment deals such as bond investment and OTC derivatives trading.

During the Reporting Period, the Company enhanced the construction of the credit risk management system. The Company has combed the credit risks by category, studied and built a quantitative analysis system for credit risks, unified measurement and management on credit risks; enhanced credit management on relevant customers or counterparties of credit businesses, built a unified management system for poor credit behaviours of customers or counterparties. The Company has improved the application system of the risk control tool and built a counter-cyclical management mechanism for risk control measures for all its financing businesses; enhanced the monitoring system for business risks, built and implemented the monitoring analysis and pressure testing system, as well as the ability of timely finding and handling current risks and potential risks. For the guarantee of delivery businesses, the Company has enhanced adequacy management for customers, as well as properly revised the access standard for customers of bonds repurchase business according to the regulation requirements. For investment deals, the Company starts to study the management system for internal assessment and credit level of the bond issuers or counterparties as well as to enhance rear-end management of risk items, closely following the handling process of default events, controlling risk losses of the business, strengthening the studies on credit liabilities, strictly screening the investment target during the investment process and keeping optimizing the credit structure of portfolios.

3. *Liquidity risk*

During the Reporting Period, the Company mainly faced with two aspects of liquidity risks: one is the liquidity risk of assets, which refers to the loss risk of proprietary investment and customer assets caused by untimely realization of assets or the unreasonably high cost for realization, mainly existent in the proprietary investment and assets management businesses; the other one is liquidity risk of liabilities, which refers to the risk of failing to pay debts on time or pay the normal business expenditures by the Company due to a lack of cash or the risk of assets management products that are unable to cope with large-scale redemption by customers due to insufficient working capital.

With respect to the proprietary business, during the Reporting Period, the Company paid close attention to the market change, focused on evaluating the ability to encash proprietary positions, dynamically adjusted assets allocation, reasonably controlled the investment scale of various securities so as to avoid excessive concentration on investment and ensure the liquidity of portfolios. With respect to the assets management business, the Company has enhanced analysis on the customer redemption funds and reasonably arranged the liquidity of the assets management plans via maintaining the proportion of partial cash assets and early warning for large-scale redumption. As for capital management, the Company strengthened detection and measurement of daily liquidity gaps and constantly optimized the structure of assets and liabilities of the Company. The Company also continuously improved the liquidity management platform, which has greatly increased the efficiency and effectiveness of liquidity risk management.

4. *Operational risk*

The operational risks the Company is faced with mainly include risks on financial or other losses caused by inadequate or problematic internal procedures, staff, information technology system and external events and the types of losses may be caused mainly include loss of assets, external compensation, impairment of carrying amount, regulatory fines and confiscation and legal costs.

During the Reporting Period, the Company has improved the organizational structure, work division on functions, rules and regulations, management tool and information systems etc. in the operational risk field, strengthened the system based real time control measures and prevented and reduced the operational risk via various measures. The Company has revised the Operational Risk Management Guide and normalized professional domains such as business continuity management, outsourcing risk management and information safety; constantly improved the internal control and operation risk management system of the group, implemented a unified operational risk management methodology and advanced the normalization and unification of the risk management idea and method; sorted out the process optimization based on hierarchical authorization, emphasized the process efficiency under the precondition of risk under control and enhanced the execution of the risk management measure. The Company has optimized the linkage management mechanism for three major tools of operational risk management, perfected the operational risk and internal control management system, carried out remaining risk assessment, monitoring key risk indicators, collected and analyzed operational risk incidents; enhanced the operational risk assessment and control for innovative businesses.

5. *Compliance risk*

Compliance risk refers to exposure to asset loss or reputation loss as a result of legal sanctions or regulatory measures imposed on securities companies due to violation of laws, rules and standards by operational management or professional conduct performed by securities companies or their employees.

During the Reporting Period, the Company continuously improved the compliance management system, strengthened the management of front-line compliance risk control staff and has completed the centralized compliance risk control work for 28 branches, further enhancing the professionalism and effectiveness of compliance officers at the grassroots level; continuously improved business compliance management mechanism, and enhanced the control and support for main business through compliance assessment, process analysis, provision of tips & supervision and meeting attendance, etc.; further improved the compliance training system and enriched training forms, striving to infuse business personnel with regulatory requirements and compliance consciousness and urging the business department to complete the self-regulation as early as possible; carefully carried out compliance audit, timely pointed out compliance issues or defects and proposed regulation suggestions to promote the compliance operation of related business or products; intensified the compliance inspection, particularly special inspection, conducted several inspections in key fields based on problems and risks, duly proposed the improvement requirements for problems found and tracked the implementation of rectification; carried out "risk-based" anti-money laundering work principle, orderly implemented various key tasks against money laundering and fulfilled the obligations of customer ID identification, customer risk level classification and reporting of large-amount and suspicious transactions; optimized and upgraded the compliance management system, anti-money laundering customer risk level evaluation system and contract management system and comprehensively improved the work efficiency of compliance management.

6. *Information technology risk*

Information technology risk mainly refers to abnormal operation of company information system or data damage or leakage caused by various internal and external reasons, making information system unable to continuously ensure stable, efficient and safe business management in aspects of business realization, response speed, handling capacity, data encryption, etc. and bringing certain loss to the securities company.

The businesses and middle office and back office management of the Company are highly dependent on the support of information technology system and the information system has become the key facilities to support the operation of businesses of the Company. During the Reporting Period, the Company continuously increased the investment in information technology, gradually established a professional information technology services management system oriented to business line, further improved the information system construction and safety management level, ensured the security, reliability and stability of the Company's operational management support information system and effectively prevented the risks of information technology.

(VI) Establishment of the monitoring and complementary mechanism of the Company's dynamic risk control indicators

1. Establishment of the monitoring and complementary mechanism of the dynamic risk control indicators

Monitoring of dynamic risk control indicators and supplement mechanism are an important risk control means of the Company. During the Reporting Period, the Company timely revised the *Management Method for Risk Control Indicators of Huatai Securities Co., Ltd.* and other related systems, established a dynamic monitoring mechanism for risk control indicators mainly based on net asset and liquidity and assigned full-time operators to conduct daily monitoring, duly reported and handle various abnormalities in accordance with the requirements of *Decision on Modifying the Management Method for Risk Control Indicators of Security Companies* (Order No. 125 by CSRC), *Regulation on Calculation Standards for Risk Control Indicators of Security Companies* (Announcement No. [2016]10 by the CSRC), letters from the CSRC securities fund institution supervision department and other documents, with the combination of business development and market change; increased stricter corporate monitoring standards as the monitoring threshold and formed a three-stage risk control indicator monitoring standard based on the regulatory standards for dynamic risk control indicators and early warning standards specified by the CSRC to launch corresponding reporting route and response plan according to different early warning level and ensure that the net asset, liquidity and other risk control indicators always comply with the requirements of supervision department; upgraded and reconstructed the original net asset and liquidity dynamic monitoring system in accordance with regulation requirements to ensure that the dynamic monitoring system can effectively support the monitoring for corporate net asset, liquidity and risk control indicators.

The Company has established a dynamic complementary mechanism for net asset, liquidity and risk control indicators. The Company's complementary pathways of risk control indexes for net capital include but not limited to capital fund raising for increase in capital and share, issuance of subordinated bonds, compression of highly-risky investment types and scale, and reduction or suspension of profit distribution, etc. The Company's complementary pathways of liquidity include but not limited to external financing (interbank borrowing, bond repurchase, corporate bond, short-term corporate bond, subordinated debt, short-term financing bill, financing of creditor's rights and income rights for credit business, credit business assets-backed securities, income receipts, refinancing integrated fund, gold lease, etc.), cashable part liquid reserve, control or adjustment of business scale, etc.

2. *Pre-warning standards for the triggering of risk control indexes, non-conformities, corrective measures adopted and rectification effect during the Reporting Period*

During the Reporting Period, the Company conducted sensitivity analysis or pressure test for capital increase in subsidiary, acquisition of equity interests in AssetMark, provision of net capital guarantee, issuance of debt financing tools, cash dividends, upper limit of proprietary investment scale, establishment of branches, engagement in new business, issuance of wealth management products, etc. and implemented above-mentioned matters as far as the analysis and test results meet the regulatory requirements. During the Reporting Period, the corporate operational risks were basically controlled within the affordable range; asset quality was high; business management regulations and main risk control indicators of the Company were in line with the regulatory requirements; there were no such circumstances that the risk control indicators violated the pre-warning standards and that the indicators were not in compliance with the provided standards. As on 31 December 2016, the parent company's net capital was RMB45.122 billion, decreased by 33.89% compared to the RMB68.251 billion (The net capital at the end of 2015 and relevant ratios were restated in line with relevant regulations including the Measures for the Risk Control Indexes of Securities Companies (ZJHL No. 125)) on 31 December 2015; the net asset of the parent company was RMB75.942 billion, the index of "net capital/net asset" was 59.42%, the index of "risk coverage" was 206.71%, the index of "capital leverage" was 21.35%, the index of " liquidity coverage ratio" was 246.05%, and the index of "net stable funding ratio" was 139.68%.

IV. Explanation on the Company's failure to make disclosure in accordance with the standards due to inapplicability of standards or special reasons and the reasons thereof

During the Reporting Period, the Company did not fail to make disclosure in accordance with the standards due to the inapplicability of standards or special reasons

V. Other disclosures

(I) Share capital

For the Company's share capital for the year ended 31 December 2016 and the changes therein, please refer to the section of "Changes in Ordinary Shares and Shareholders" of this announcement.

(II) Pre-emptive rights

According to the PRC laws and of the Articles of Association, none of the shareholders of the Company has any pre-emptive rights.

(III) Sufficient public float

As at the date of this announcement, based on the information available to the public and as far as the Directors are aware of, the Directors believe that the Company has sufficient public float which satisfies the minimum public float requirement under Rule 8.08 of the Hong Kong Listing Rules.

(IV) Directors' interests in competing business

None of the Directors has any interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

(V) Service contracts of Directors and Supervisors

According to rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into a contract with each of the Directors and Supervisors in respect of (among other matters) compliance of relevant laws and regulations, as well as Articles of Association and provisions on arbitration. Save as disclosed above, none of the Directors or Supervisors has entered into or is proposed to enter into any service contracts with the Company in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

(VI) Directors' and Supervisors' interests in material contracts

During the Reporting Period, the Directors or supervisors of the Company or entities that are connected to them did not have any material interests, whether directly or indirectly, in any material contract entered into by the Company or its subsidiaries.

(VII) Permitted indemnity provisions — liability insurance for Directors, Supervisors and senior management personnel

As authorized in 2014 annual general meeting, the Company has taken out a liability insurance policy for Directors, Supervisors and, senior management and other relevant competent persons. Appropriate insurance coverage has been arranged for Directors, Supervisors and senior management of the Company against potential legal actions and liabilities to reasonably avoid management and legal risks faced by Directors, Supervisors and senior management of the Company and to procure the full discharge of duties by the Directors, Supervisors and senior management.

(VIII) Resumes of Directors, Supervisors and senior management personnel

For the resumes of corporate Directors, Supervisors and senior management, please refer to "Directors, Supervisors, Senior Management and Staff", "I. Changes in Shareholding Structure and Remuneration", "(I) Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period" and "primary work experience".

(IX) Remuneration policy

For the remuneration and share incentive scheme of the Directors, Supervisors and senior management, please refer to "Directors, Supervisors, Senior Management and Staff", "I. Changes in Shareholding Structure and Remuneration", "(I) Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period", "(II) Option incentive conferred to Directors, Supervisors and Senior Management Officers during the Reporting Period" and "(III) Remuneration of Directors, Supervisors and senior management".

(X) Share option scheme

The Company did not establish any share option scheme.

(XI) Major customers and suppliers

The Company provides services to a wide range of institutions and individual clients across a spectrum of sectors. The Company's clients range from retail customers, wealth clients, high-net-worth individuals, institutional clients to corporate clients. The clients are primarily located in China. The successful listing in Hong Kong and smooth implementation of its deployment strategies in the international market will facilitate the Company in carrying out overseas operations, exploring customer resources and expanding the room for further development of the Company's businesses. In 2016, the revenue attributable to the five largest clients accounted for less than 30% of the total operating revenue of the Company.

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

(XII) Relationship with employees, customers, suppliers and other persons with important relationship

For the employee's remuneration and training plan, please refer to "Directors, Supervisors, Senior Management and Staff", "VII. Information about the Staff of the Parent Company and Major Subsidiaries", "(II) Remuneration policy" and "(III) Training programs". For the relationship between the Company and securities brokers, please refer to "Directors, Supervisors, Senior Management and Staff", "(VII) Customer Solicitation and Customer Service by the Brokers Commissioned by the Company" of the report. For the relationship between the Company and major customers and suppliers, please refer to "Management Discussion and Analysis and Report of the Board", "V. Other disclosures" and "(XI) Major customers and suppliers".

(XIII) Business review

For the business analysis made by using key financial indicators, please refer to "Company Profile and Key Financial Indicators" of the announcement.

(XIV) Corporate governance

For the corporate governance condition of the Company, please refer to "Corporate Governance Report" of the announcement.

(XV) Environmental Policies and Performance of the Company

The Company actively promoted the concept of environment protection, focused on cultivating the energy conservation and environmental protection awareness of employees, and devoted itself to providing a safe and comfortable working environment for employees.

The Company insisted on low-carbon and energy-saving principle and put effort to build a resource-efficient enterprise. The Company has been promoting public transportation, encouraging employees to make use of mass transit to commute, and if it is not convenient, car pooling is also suggested in order to practice economy and reduce tail gas pollution; what is more, it devoted great efforts to further introduce paperless office and promote electronic office by using e-mail and video conference.

It built an environmental office environment to comprehensively ensure the physical and mental health of clients and employees. The Huatai Securities Plaza project was completed during the Reporting Period. When it moved to the final stage of project construction, the Company took measures to reduce pollution and noise as far as possible, and to provide a comfortable and good environment for employees to work and rest. During the decoration of the office and business place of its branches, the Company stuck to the environmental protection concept, and insisted on applying environmentally friendly materials to minimize the harm to the environment; the furniture procurement bidding set forth compulsory standards and other quality technology standards, and requested raw material inspection report and certificate of origin of material, etc.

Great efforts were made to develop green finance. The Company responded to the calls of the PRC government on establishing a green finance system and carried out green development activities. During the Reporting Period, Huatai United Securities achieved a big breakthrough in products including green finance bonds, green corporate bonds and green enterprise bonds. It issued RMB50 billion SPD Bank green finance bond, the first ever green finance bond; it also issued RMB1 billion Datang Corporation Renewable Power, a small public offering green corporate bond, and RMB1 billion private equity green corporate bond. According to the Environmental Public Welfare List released by Securities Association of China, on 4 November 2016, the number of green bonds mainly underwritten by Huatai United Securities ranked No. 2, and the issuing scale ranked No. 8. Huatai United Securities was also awarded the Contribution Award for Green Corporate Bond of SSE in 2016. Huatai United Securities laid emphasis on supporting the financing of environmental enterprises engaging in energy saving and emission reduction, pollution abatement, ecological protection, etc. It led the mergers and acquisitions projects including Kingland Technology acquiring Mu He Water-saving, New Hope acquiring Besun Agricultural and MGrass Ecology acquiring Lulu Xin, the total amount of transaction was RMB2.5 billion. Huatai Asset Management made use of the asset management business as a securities trader and issued the nation's first Central Enterprises Green ABS, first Environment Protection ABS of the solid waste disposal industry — China Renewable Resources ABS. It also established a special plan of green asset support of Huatai Asset Management-Gezhou Dam water & electricity feed-in tariff right of charge, which was an innovation in assisting with the development of green industry.

(XVI) *Compliance with Relevant Laws and Regulations*

As a public company listed both in Mainland China and Hong Kong, the Company abode, in strict accordance, by domestic and foreign laws, regulations and normative documents including the Company Law, Securities Law, Regulation on the Supervision and Administration of Securities Companies, Rules for Governance of Securities Companies, Code of Corporate Governance for Listed Companies in China, XIV of Appendix of Hong Kong Listing Rules: Code of Enterprise Administration and Cooperate Governance Report and the Articles. The Company established and perfected its rules and regulations to standardize the operation, and devoted itself to maintaining and improving its market image. Please see the "Significant Matters", "IX. Major Lawsuits and Arbitration Matters: (III) the punishment and public censure that the Company experienced this year" in this announcement for the punishment and public censure that the Company experienced during the Reporting Period.

(XVII) *Reserve and Distributable Reserve*

Please see the statement of changes in equity of consolidated shareholders and note 54 in the financial statement of this announcement for the status of changes in reserves and distributable reserves.

(XVIII) *Properties and Equipment and Investment Properties*

The status of changes in the properties and equipment and investment properties of the Group is listed separately in the consolidated financial statement Appendix 20 and 21. As of 31 December 2016, the Group did not own one or more investment properties with a ratio (see Rule 14.04(9) in the Hong Kong Listing Rules for the definition) over 5%, and did not hold any properties for development and/or for sale.

(XIX) *Donation*

The Company performed its social responsibilities actively in 2016: it spent a total of RMB10,833.0 thousand in public welfare projects, charitable contribution, poverty relief donation, education support, etc. Among the total amount, the donation to precision poverty alleviation was RMB8,595.3 thousand and the public welfare projects was RMB2,237.7 thousand (RMB6,066,850.00 in 2015).

(XX) *Five-Year Financial Highlight*

For the highlight of operating performance, assets and liabilities of the Group in the past five financial years, see "company profile and main financial index: VIII. main accounting data and financial index — (II) five year accounting data and financial index". This summary does not constitute a part of the audited consolidated financial statement.

(XXI) ***Auditors***

1. According to the evaluation of bid by the experts of Jiangsu Tendering Center and upon the approval of the Company's 3rd extraordinary shareholders meeting in 2014 held on 25 August 2014, the Company employed KPMG Huazhen LLP as the audit service institute of the Company's and its holding companies' 2014 annual accounting statement and internal control. The audit service fee was capped at RMB2 million. In 2014, KPMG Huazhen LLP issued, without reservation, a standard audit report on the annual financial report formed by the Company in accordance with the China's Accounting Standards for Business Enterprises. Certified public accountants Wang Guobei and Zhang Nan signed the report.

2. Upon the approval of the Company's AGM 2014 held on 30 March 2015, the Company employed KPMG Huazhen LLP as the audit service institute of the Company's and its holding companies' 2015 annual accounting statement and internal control. The audit service fee was capped at RMB2 million. Upon the approval of the Company's AGM 2015 held on 7 June 2016, the Company increased the A Share audit fee to RMB2.55 million and newly increased H Share review and audit fee of RMB2 million. In 2015, KPMG Huazhen LLP issued, without reservation, a standard audit report on the annual financial report formed by the Company in accordance with the China's Accounting Standards for Business Enterprises. And certified public accountants Wang Guobei and Zhang Nan signed the report; KPMG Huazhen LLP issued, without reservation, a standard audit report on the annual financial report formed by the Company in accordance with the International Financial Reporting Standards. And certified public accountant Peng Chengchu signed the report.

3. Upon the approval of the Company's AGM 2015 held on 7 June 2016, the Company employed KPMG Huazhen LLP as the audit service institute of the Company's and its holding companies' 2016 annual accounting statement and internal control to issue an A Share audit report and internal control audit report; and employed KPMG Huazhen LLP as the audit service institute of the Company's H Share to issue a H Share audit report. The audit service fee was capped at RMB5 million. In 2016, KPMG Huazhen LLP issued, without reservation, a standard audit report on the annual financial report formed by the Company in accordance with the China's Accounting Standards for Business Enterprises. And certified public accountants Wang Guobei and Zhang Nan signed the report; KPMG Huazhen LLP issued, without reservation, a standard audit report on the annual financial report formed by the Company in accordance with the International Financial Reporting Standards. And certified public accountant Peng Chengchu signed the report.

4. Upon the approval of the Company's Fourth Meeting of the 4th session Board of Directors held on 30 March 2017, the Company employed KPMG Huazhen LLP as the audit service institute of the Company's and its holding companies' 2017 annual accounting statement and internal control; and employed KPMG Huazhen LLP as the audit service institute of the Company's H Share to issue a H Share audit report. The audit service was capped at RMB5 million, which is yet to be approved by the AGM 2016 of the Company.

(XXII) *Review of Annual Results*

This annual financial report is audited. The Audit Committee of the Company's Board of Directors reviewed the annual financial statement and annual report which have been audited as of 31 December 2016, and did not raise any objections to the accounting policy or convention.

(XXIII) *Publication of the Annual Report*

This results announcement will be released on the Company's website (www.htsc.com.cn) and the HKEXnews website (www.hkexnews.hk).

The 2016 annual report of the Company which contains all the materials required by the Hong Kong Listing Rules will be sent to shareholders and published on the Company's website (www.htsc.com.cn) and the HKEXnews website (www.hkexnews.hk).

By order of the Board
Zhou Yi
Chairman and President
30 March 2017

Major Events

I. Proposal of profit distribution for ordinary shares or capitalization from capital reserve

(i) Formulation, implementation or adjustment of cash dividend policy

Article 255 of the Articles of Association specifies the decision-making procedures of the Company's profit distribution policy and proposal and their adjustment. According to the Company's profit distribution policy, "the Company emphasizes a reasonable investment return to the investors and implements a continual and steady policy of profit distribution. The Company's profit distribution may not exceed its accumulated distributable profits nor impair the Company's sustainable capability of operation. The Company may distribute dividends in form of cash, shares or a combination of cash and shares. Except for the special circumstance under which the Company fails to comply with the regulatory requirements regarding net capital due to the Company's plan to make material investment or significant cash disbursement within the next twelve months, the Company shall distribute its dividends in form of cash if the Company's profits for the current year and the accumulated undistributed profits are positive. If the Company's accumulated profits distributed in form of cash for the last three years were no less than 30% of the annual average distributable profit for the last three years, when proposed by the Board and approved by the Shareholders' General Meeting, an interim dividend distribution may also be made in the form of cash. The Company may distribute dividends in the form of shares based on the annual profits and cash flow and subject to the satisfaction of the minimum ratio for cash dividend and the reasonableness of the Company's capital."

For the last three years (including the Reporting Period), the Company had not implemented any plan or proposal regarding capitalization from capital reserve to share capital. The details of the dividend distribution plan or proposal of ordinary shares of the Company for the last three years were as follows:

The year 2014: the Company recorded a net profit of RMB4,486,276,132.08 attributable to the shareholders of ordinary shares of the Company. On the basis of the total share capital of 5,600,000,000 shares as of 31 December 2014, the Company proposed the distribution of cash dividend of RMB5.00 (tax inclusive) for every ten shares to all shareholders. The total amount of cash dividend was RMB2,800,000,000.00 (tax inclusive), accounting for 62.41% of the net profit for the year attributable to the shareholders of ordinary shares of the Company in the year.

The year 2015: the Company recorded a net profit of RMB10,696,870,875.92 attributable to the shareholders of ordinary shares of the Company. On the basis of the total share capital of 7,162,768,800 shares as of 31 December 2015, the Company proposed the distribution of cash dividend of RMB5.00 (tax inclusive) for every ten shares to all shareholders. The total amount of cash dividend was RMB3,581,384,400.00 (tax inclusive), accounting for 33.48% of the net profit for the year attributable to the shareholders of ordinary shares of the Company in the year.

The year 2016: the Company recorded a net profit of RMB6,270,611,459.43 attributable to the shareholders of the Company. On the basis of the total share capital of 7,162,768,800 shares as of 31 December 2016, the Company proposed the distribution of cash dividend of RMB5.00 (tax inclusive) for every ten shares to all shareholders. The total amount of cash dividend was RMB3,581,384,400.00, accounting for 57.11% of the net profit for the year attributable to the shareholders of ordinary shares of the Company in the year.

Cash dividend is denominated and declared in RMB and paid to holders of A shares and the investors of the Southbound Trading business in RMB and to holders of H shares (excluding the investors of the Southbound Trading business) in HKD. The actual distribution amount in HKD would be calculated at the rate of average basic exchange rate of RMB against HKD published by PBOC for five business days prior to the 2016 annual general meeting of the Company.

The formulation and implementation of the profit distribution policies of the Company, in particular the cash dividend policy, were in compliance with relevant provisions of the securities industry, the requirements of the Articles of Association and the resolutions of shareholders' general meetings of the Company. Criteria and proportion of dividend distribution were clear and definite, and relevant decision-making procedures and mechanism were sound and complete. The independent Directors conducted due diligence and played their due roles, and channels were provided for minority shareholders to fully express their opinions and requests which fully protected their legal rights and interests. The conditions and procedures for the adjustments or changes of the Company's profit distribution policy were legitimate and transparent.

(ii) ***Plan or proposal of the dividend distribution for ordinary shares or capitalization from capital reserve to share capital for the last three years (including the Reporting Period)***

Unit and Currency: RMB (Yuan)

Dividend year	Number of dividend shares per 10 shares (share)	Dividends per 10 shares (RMB yuan) (tax inclusive)	Number of increased shares per 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profits attributable to the ordinary shareholders of the listed company in the consolidated statement	Percentage of net profits attributable to ordinary shareholders of the listed company in consolidated financial statements (%)
2016	—	5.00	—	3,581,384,400.00	6,270,611,459.43	57.11
2015	—	5.00	—	3,581,384,400.00	10,696,870,875.92	33.48
2014	—	5.00	—	2,800,000,000.00	4,486,276,132.08	62.41

(iii) ***Tax relief***

1. A Share shareholders

According to the provisions in the Notice on Issues Regarding Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税 [2015]101 號)) and the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税 [2012]85 號)) jointly issued by the Ministry of Finance, State Administration of Taxation and the CSRC, for individual shareholders of the Company, if the term of shareholding (a period from the date when the individual acquire the listed shares on public offering and transferring markets by the individual to the date one day before the shares are transferred and settled) is within one month (inclusive), all the dividend and bonus incomes thereof are counted as taxable income at the effective tax rate of 20%; if the term of shareholding is between one month and one year (inclusive), temporarily, 50% of the dividend and bonus incomes are counted as taxable income at the effective tax rate of 10%; if the term of shareholding exceeds one year, temporarily, the dividend and bonus incomes are exempted of individual income taxes. When dividends and bonus incomes are distributed by a listed company, such company, temporarily, shall not withhold or pay any individual income taxes on behalf of the individuals whose term of shareholding is within one year (inclusive); instead, the taxable incomes shall be calculated by a securities registration and settlement company based on the term of shareholding when the individual transfers those shares and the company shall withhold and pay the taxes through the securities registration and settlement company. For dividend and bonus incomes obtained by securities investment funds from listed companies, the individual income taxes thereof are calculated and levied pursuant to the provisions in the document of Cai Shui [2015] No. 85.

For QFII, according to the provisions in the Notice on Issues Regarding Withholding and Payment of Corporate Income Taxes when PRC Resident Enterprises Distribute Dividends, Bonuses and Interests to the QFII (Guo Shui Han, [2009] No. 47) (《關於中國居民企業向 QFII 支付股息、紅利、利息代扣代繳企業所得税有關問題的通知》(國税函 [2009]47 號)) issued by State Administration of Taxation, the listed company withholds and pays corporate income taxes at a uniform tax rate of 10%. If the dividend and bonus incomes obtained by QFII shareholders are meant to claim the treatment as stipulated in tax treaties (arrangements), application for tax refund can be submitted to the governing tax authority after the acquisition of such dividends and bonuses according to regulations.

According to the provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (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税收政策的通知》(財税 [2014]81 號)) issued by the Ministry of Finance, State Administration of Taxation and CSRC, for the dividend and bonus incomes obtained by investors (including enterprise and individual) on Hong

Kong market from investing in A Shares listed on Shanghai Stock Exchange, the implementation of differentiated taxtation is suspended before Hong Kong Securities Clearing Co. Ltd. meets the conditions to provide the investor's identification, term of shareholding and other specific data. The listed company withholds and pays the income taxes at the tax rate of 10%, which should be duly declared to the governing taxation authority. For Hong Kong investors who are tax residents of foreign countries that have entered a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the rate for dividend and bonus income tax is less than 10%, the enterprises or individuals can, by themselves or entrust a withholding agent to apply to the governing tax authorities of the listed company for the treatment as stipulated in such tax treaties. The governing tax authorities shall refund the taxes according to the discrepancy between the levied taxes and taxes payable based on the tax treaty after verifying and approving the application.

For institutional investors, the taxes on their dividends and bonus incomes shall be paid on their own.

2. *H Share shareholders*

According to the provisions in the Notice by the State Administration of Taxation on Issues Regarding the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)), for the dividend and bonus incomes from shares offered in Hong Kong by domestic non-foreign investment enterprises acquired by individual shareholders as overseas foreign resident individual shareholders, the withholding agent shall legally lawfully withhold and remit paid the individual income taxes according to item "interest, dividend and bonus income". For shares offered in Hong Kong by domestic non-foreign investment enterprises, the individual shareholders as overseas residents can claim related tax preferences according to the provisions in the tax treaty signed by the country to which the resident identity belongs and the PRC and in the tax arrangements between Mainland China and Hong Kong (Macao). According to the related tax treaties and tax arrangements, the tax rates for dividends are normally 10%. To simplify administration of tax collection, when the domestic non-foreign investment enterprises offering shares in Hong Kong allocate distributable dividend and bonuses, the individual income taxes are generally withheld at the tax rate of 10% and such application is not necessary. If the dividend tax rate is not 10%, individual income taxes shall be withheld as per the following provisions: (1) for residents subject to tax rates below 10% pursuant to relevant treaties, the withholding agent can apply related treatment under such treaties on behalf of the residents and the governing tax authority will refund the additional tax payments after approving the application; (2) for residents subject to tax rate over 10% but lower than 20% pursuant to relevant treaties, when the withholding agent distributes dividend and bonus, the individual income tax shall be withheld and paid at the actual tax rate specified in the treaties and application for approval is not necessary; (3) for residents from the country which did not enter into any tax treaty with the PRC, when the withholding agent distributes dividend and bonus, the individual income tax shall be withheld and paid at the tax rate of 20%.

According to the provisions in the Notice on Issues regarding Withholding of Enterprise Income Taxes when PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise H Share Holders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函 [2008]897 號 issued by the State Administration of Taxation,when Chinese resident enterprises distribute annual dividends and bonuses for foreign non-resident enterprise H Share holders for the year 2008 and subsequent years, the corporate income tax shall be withheld and paid by PRC resident enterprises at the uniform tax rate of 10% on behalf of its shareholders.

According to the provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (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))issued by the Ministry of Finance, State Administration of Taxation and CSRC, for dividends and bonuses acquired by Mainland individual investors by investing in listed H Shares at the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, such H Share companies shall withhold the individual income tax at a tax rate of 20%. For dividends and bonuses acquired from Mainland securities investment funds by investing in listed shares at the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, the individual income tax shall be levied as per above regulations. For dividends and bonuses acquired by mainland enterprise investor from investing in listed shares at the Hong Kong Stock Exchange via Shanghai-Hong Kong Stock Connect, such H Share companies shall not withhold or pay any income taxes on the dividends and bonuses, as the income tax should be paid by the investing enterprises on their own. Meanwhile, for the dividends and bonuses acquired by Mainland resident enterprises for continuous holding of relevant H Shares for 12 months, the corporate income tax shall be exempted according to laws.

According to the current practices of Inland Revenue Department of Hong Kong, no tax shall be leived for dividends distributed by the Company in Hong Kong.

The shareholders of the Company shall pay relevant taxes and/or be entitled tax reliefs according to above provisions.

II. Performance of undertakings

(i) Undertakings of the Company, shareholders, de facto controllers, purchasers, Directors, Supervisors, senior management and other connected parities, made and/or remain effective during the Reporting Period

Background of undertaking	Type of undertaking	Undertaker	Description	Issuing and expiry date of undertaking	Any deadline for performance or not	Strictly complied with the undertaking in time or not
Other undertaking made to the minority shareholders of the Company	To cope with horizontal competition	Jiangsu Guoxin	Jiangsu Guoxin and its subsidiaries and associated companies shall not engage in or conduct any business which competes with the primary business of the Company at any time and in any form (including but not limited to proprietary trading, joint venture or cooperation) (except Jintai Futures Co., Ltd.). Any opportunities to conduct, engage in or invest in any business which may compete with the business of the Company available to Jiangsu Guoxin and its subsidiaries and associated companies shall be referred to the Company (except Jintai Futures Co., Ltd.).	Issuing date: 27 June 2014. Expiry date: in a long term	No	Yes

III. Appropriation of fund and progress of debt clearance during the Reporting Period

During the Reporting Period, there was no appropriation of the Company's fund.

IV. Analysis and explanation from the company on the reasons and impact of the change of accounting policies, accounting estimates or the correction of major accouting errors

(I) Analysis and explanation from the Company on the reasons and impact of the changes of accounting policies and accounting estimates

During the Reporting Period, there was no change to the significant accounting policies of the Company.

V. Appointment and removal of accounting firm

Unit: ten thousand yuan Currency: RMB

	Currently employed unit
Name of the domestic accounting firm	KPMG Huazhen LLP
Remuneration of the domestic accounting firm	255
Audit years of the foreign accounting firm	3
Name of the foreign accounting firm	KPMG
Remuneration of the foreign accounting firm	200
Audit years of the foreign accounting firm	2

	Name	Remuneration
Accounting firm for the auditing of internal controls	KPMG Huazhen LLP	—

Description for the appointment and removal of accounting firm

During the Reporting Period, as approval at the Annual General Meeting of the Company for 2015, the Company reappointed KPMG Huazhen LLP to audit the financial statements and internal controls of the Company and its holding subsidiaries in 2016 and issue the A Share audit report and internal control audit report, and reappointed KPMG to audit and issue the H Share audit report. The total audit service fees are RMB4.55 million (including the audit fee for internal control).

VI. Risk of suspension of listing

During the Reporting Period, the Company was not exposed to any risks of suspension of listing.

VII. Bankruptcy and restructuring

The Company was not involved in any bankruptcy or restructuring during the Reporting Period.

VIII. Material litigation, arbitration

(I) Litigation, arbitration disclosed in ad hoc announcements without subsequent development

Summary and type of event	Query indexes
The debt disputes between Huatai United Securities, Stone Group Corporation (四通集團公司) and Stone Group Financial Company (四通集團財務公司): There were three debt disputes due to the illegal appropriation of funds of Huatai United Securities by Stone Group Financial Company, a subsidiary of Stone Group Corporation which was a former shareholder of Huatai United Securities. Two of the disputes had been ruled by the intermediate people's court in Shenzhen via a civil order (2001) SZFJ First Instance No. 315 and a civil mediation notice (2002) SZFJ First Instance No. 430. According to the civil order and civil mediation notice, the Stone Group was demanded to pay Huatai United Securities RMB73.45 million with interests and RMB99.40 million with interests. The civil order and civil mediation notice have taken effect and are now under implementation. The last dispute was filed by Huatai United Securities to the high people's court in Beijing in June 2008 to demand aggregate payment of approximately RMB260 million, including a debt of RMB237.7536 million and interest of RMB21.8722 million, due from Stone Group Corporation. It was ruled by the High People's Court in Beijing via a civil order (2008) Gao Min Chu Zi No. 1080 made on 17 December 2009. The other party did not make any appeal and the judgement of the first trial became effective, pursuant to which, Stone Group Corporation should pay the Company a principal of RMB175.5340 million with interests. The verdict is now in the process of implementation.	Could be retrieved in the annual reports for the Year 2011–2015

Summary and type of event	Query indexes
Debt disputes between Huatai United Securities, China Huacheng Group Financial Co., Ltd. (中國華誠集團財務有限責任公司) (hereinafter referred to as "Huacheng Group") and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司) (hereinafter referred to as "Huacheng Investment"): China Huacheng Group Financial Co., Ltd. misappropriated the funds of branches of Huatai United Securities of approximately RMB37.20 million. Cash of RMB17.38 million in aggregate was detained from three branches and the head office of Huatai United Securities by various local courts due to debt disputes between China Huacheng Group Financial Co., Ltd. and its creditors. However, China Huacheng Group Financial Co., Ltd. refused to pay the debts. In December 2003, Huatai United Securities submitted a lawsuit to the Intermediate People's Court in Shenzhen to demand Huacheng Investment Management Co., Ltd. and China Huacheng Group Financial Co., Ltd. to severally and jointly settle the debts. After the filing of the lawsuit, all local courts were instructed by the highest people's court that no litigation involving Huacheng Investment Management Co., Ltd. and its subsidiaries shall be accepted, heard or executed. The lawsuit has been adjourned since then. In May 2009, Huacheng Investment Management Co., Ltd. was ruled bankrupt and put under liquidation by the court. In August 2009, Huatai United Securities filed a claim of RMB125.98 million (sum of principal and interest) to the liquidation committee. However, the debt was unconfirmed because it had not been verified by the court. In March 2010, the intermediate people's court in Shenzhen resumed the hearing of the case and approved the claim of Huatai United Securities after the first trial. Huacheng Investment Management Co., Ltd. and China Huacheng Group Financial Co., Ltd. were demanded to pay RMB54.584 million and litigation fee of RMB282,000. After that, Huatai United Securities filed its claim of the debts and litigation fee to the liquidation committee of Huacheng Investment Management Co., Ltd.. On 21 December 2012, Huatai United Securities issued a civil award from No. 2 intermediate people's court in Beijing (hereinafter referred to as the "No. 2 Intermediate Court") stating that the liquidation of Huacheng Investment Management Co., Ltd. was completed.	Could be retrieved in the annual reports for the Year 2011–2015

Summary and type of event	Query indexes
During the liquidation of Huacheng Investment Management Co., Ltd., Huatai United Securities was distributed 2,764,400 shares in Huafang Co., Ltd. and cash of RMB1,823,979. In July 2012, China Huacheng Group Financial Co., Ltd. was ruled bankrupt and put under liquidation by the court. In June 2013, the liquidator issued a List of Debts for Verification for the debt confirmation of Huatai Securities. On March 21, 2014, No. 2 Intermediate Court convened a meeting of creditors of China Huacheng Group Financial Co., Ltd. At the meeting, the liquidator stated that "as Huatai United Securities Co., Ltd. denied the capacity of Huacheng Investment Management Co., Ltd. as its shareholder, it is not a creditor to the debts owed by China Huacheng Group Financial Co., Ltd.". Accordingly, Huatai United Securities submitted a law suit regarding the debts to No. 2 intermediate people's court in Beijing. On November 18, 2014, No. 2 Intermediate Court announced its judgment of (2014) Er Zhong Min Chu Zi No. 6794. Pursuant to which, Huatai United Securities should be a creditor to the debts of China Huacheng Group Financial Co., Ltd. in the amount of RMB39,387,194.72. The equity dispute between the two parties was ruled by the No. 2 Intermediate Court via the civil order of (2015) Er Zhong Min (Shang) Chu Zi No. 05326 issued on October 26, 2015, denying the lawsuit for the confirmation of Huacheng's equity. The capital cancellation for the 2.52 million shares originally registered under Huacheng Investment has been confirmed as effective.	

Summary and type of event	Query indexes
A considerable overloss occurred in futures account of Zhang Xiaodong, a client of Huatai Futures on 16 April 2013, with the overloss amount of RMB22,639,786.41. Since Zhang Xiaodong failed to repay the overloss amount lent by Huatai Futures, on 27 December 2013, Huatai Futures brought a civil suit against Zhang Xiaodong to the No. 1 intermediate people's court in Shanghai, requiring Zhang Xiaodong to reimburse the overloss amount paid by Huatai Futures for him and bear all legal costs. The No. 1 intermediate people's court in Shanghai held a hearing on 29 May 2014, and delivered a verdict ((2014) HYZML(S) Chu Zi No. 1) ((2014) 滬一中民六(商)初字第1號)) on 25 June, pronouncing that the defendant Zhang Xiaodong shall repay RMB22,639,786.41 to the plaintiff Huatai Futures within ten days after the verdict became effective, and supporting the plaintiff's demand that Zhang Xiaodong should bear the court case hearing cost. Huatai Futures applied to the No. 1 intermediate people's court in Shanghai for compulsory enforcement of overloss amount of Zhang Xiaodong on 11 November 2014; currently, the case is in the process of implementation. With respect to the application for enforcement through the defendant's properties, Huatai Futures received enforcement ruling from the intermediate people's court in Sanmenxia, Henan Province at the end of June 2015: since the person subject to enforcement was temporarily unable to repay the debt, the case failed to be executed effectively, and the court terminated the procedure of enforcement. If the person subject to enforcement was found to have properties to be executed, Huatai Futures may apply to the court for resuming enforcement at any time. In accordance with relevant finance system regulations, such overloss of client was treated as "risk loss receivables" in year 2013. Huatai Futures made provision for futures risk in accordance with relevant regulations of finance management in the futures industry, and no bad debt provision was required for such overloss.	Could be retrieved in the annual reports for the Year 2013–2015

(II) Litigation and arbitration not disclosed in ad hoc announcements or with subsequent development

Unit and currency: RMB (Yuan)

During the Reporting Period:

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of action (arbitration)	Basic status of action (arbitration)	Amount involved in action (arbitration)	If action (arbitration) forms estimated liabilities and amount or not	Progress of action (arbitration)	Award and effect of action (arbitration)	Enforcement of judgment of action (arbitration)
Huatai Securities	Kunshan Kaihong Car Trade Co., Ltd.		Objection to enforcement	Refer to notes	25,000,000	No	Refer to notes	Refer to notes	Refer to notes
Huatai United Securities	Beijing Huazi Syndicate Group		Debt dispute	Refer to notes	24,391,031	No	Refer to notes	Refer to notes	Refer to notes
Huatai United Securities	China Nuclear Energy Industry Corporation		Contract dispute	Refer to notes	12,703,686.88	No	Refer to notes	Refer to notes	Refer to notes
(entrust) Chengdu Branch of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司成都分行)	Sichuan Shengda Group Limited (四川聖達集團有限公司)		Debt dispute	Refer to notes	59,449,800	No	Refer to notes	Refer to notes	Refer to notes
Xiamen Bank Company Limited (廈門銀行股份有限公司)	Shenzhen Branch of Bank of Ningbo (寧波銀行股份有限公司深圳分行)		Bill dispute	Refer to notes	—	No	Refer to notes	Refer to notes	Refer to notes

1. Huatai Securities raised objection to enforcement for the deposit receipts under pledge: as the manager of "Jinling No. 6 Targeted Assets Management Plan of Huatai Securities" (hereinafter referred to as "Jinling No. 6 Plan"), Huatai Securities, according to the investment directive from the client, invested in the right to yields of depositreceipts held by Kunshan Kaihong Car Trade Co., Ltd. (hereinafter referred to as "Kunshan Kaihong") with the assets under the targeted plan on 22 April 2014, and Kunshan Kaihong agreed to repurchase all such depositreceipts on 21 April 2016. To guarantee normal performance of repurchase articles, Kunshan Kaihong pledged the deposit receipts (RMB25 million) to Huatai Securities. Due to other disputes of Kunshan Kaihong, its relevant assets (including the deposit receipts of RMB25 million pledged for such business) were frozen by the people's court in Kunshan. According to the provisions of relevant contracts, if the transferor of deposit receipts was involved in disputes, the manager of Jinling No. 6 Plan was able to exercise the right of pledge in advance. In October 2015, Huatai Securities raised objection to enforcement to the people's court in Kunshan, requesting the court to defreeze the deposit receipts of RMB25 million pledged by the aforesaid enterprise to Huatai Securities.The people's court in Kunshan has accepted the objection raised by Huatai Securities (acceptance No. (2016) S0583 ZY No. 9). The case was judged in May 2016 upholding the appeal of Huatai Securities, and the underlying deposit receipts were defreezed. However,

the People's Court in Wujiang District of Suzhou enforced the freeze in order of the deposit receipts in relation to other disputes of Kunshan Kaihong. Huatai Securities raised an objection to the enforcement to the Peoples' Court in Wujiang District of Suzhou in May 2016, which was however rejected by the court. Huatai Securities then brought legal proceedings to the Peoples' Court in Wujiang District of Suzhou for the objection to enforcement in June 2016. The People's Court in Wujiang District of Suzhou has accepted the legal proceeding regarding the objection to enforcement raised by Huatai Securities (acceptance No. (2016) Su0509 Min Chu No. 8451). The case was in trial on 22 November 2016, and a judgement upholding Huatai Securities' right of pledge on the deposit receipts involved in the case was made by the Peoples' Court in Wujiang District of Suzhou on 18 January 2017. Currently, the underlying deposit receipts are defreezed. As the manager of the Jinling No. 6 Plan, Huatai Securities has been entrusted by the clients of the plan to institute the proceedings, and the losses or profits arising wherefrom will be included in the assets under the plan. The assets under the plan are independent from the assets of Huatai Securities, and this lawsuit has no adverse effect on the Company's profits during and after the Period.

2. Debt dispute between Huatai United Securities and Beijing Huazi Syndicate Group (北京華資銀團集團): As Beijing Huazi Syndicate Group failed to repay its debt to Huatai United Securities according to the agreement, Huatai United Securities filed a lawsuit to the Peoples' Court in Futian District of Shenzhen in January 2011 against Beijing Huazi Syndicate Group to demand payment of the principal and interest thereon of RMB34.5789 million in aggregate. After the first trial in February 2011, the court ordered the payment to Huatai United Securities of RMB24.30 million plus interest calculated at the interest rate of bank deposit during the same period by Beijing Huazi Syndicate Group. Beijing Huazi Syndicate Group filed an appeal to the Intermediate People's Court in Shenzhen in June 2011 against the judgement. The appeal was dismissed and the verdict of the court of first instance sustained. The verdict is now in the process of implementation. Regarding to the legal proceedings instituted by Huatai United Securities against Huang Zuxiang, Huang Ping, Huang Zufeng and the deputes between Beijing Huazi Syndicate Group and Huatai United Securities, No. 3 Intermediate People's Court in Beijing issued a civil order (2015) San Zhong Min (Shang) Chu Zi No. 03020 on 4 December 2015, demanding Huang Zuxiang and Huang Zufeng, as shareholders of Huazi Syndicate Group, to settle the principal of the debt of RMB24.30 million as well as case acceptance fee of RMB91,000 on behalf of Huazi Syndicate Group. Huang Zuxiang and Huang Zufeng have not performed the debt settlement order since 2016. On 31 May 2016, Huatai United Securities applied for verdict enforcement at No. 3 Intermediate People's Court in Beijing.

3. China Nuclear Energy Industry Corporation (hereinafter referred to as "Nuclear Energy Corp") brought legal proceedings regarding to a deposit receipts dispute against Huacheng Group and Huacheng Investment. The No. 2 Intermediate Court issued a civil order (1998) Er Zhong Jing Chu Zi No. 1218 on 10 February 1999. After the verdict came into effect, Nuclear Energy Corp applied for verdict enforcement at the No. 2 Intermediate Court on 12 July 1999. The No. 2 Intermediate Court, according to law, impounded the equity shares of United Securities Co., Ltd. (hereinafter referred to as "United Securities") held by Huacheng Investment. After that, Nuclear Energy Corp acquired 36.60 million shares of United Securities held by Huacheng Investment through auction. United Securities considered the contribution of RMB14.98 million at the beginning of the investment in United Securities by Huacheng Investment as overstated (deduction enforced by the court), and therefore filed a writ and raised an objection to enforcement to the High People's Court in Beijing and the Highest People's Court. The No. 2 Intermediate Court and Nuclear Energy Corp finally deducted the 13.48 million shares of United Securities (equivalent to RMB14.98 million) from the 36.60 million shares of United Securities acquired through auction by Nuclear Energy Corp, and the remaining equity of 23.12 million shares were transferred to Nuclear Energy Corp. However, the aforesaid 13.48 million shares were requested to continue to be frozen under the name of Nuclear Energy Corp in the No. 2 Intermediate Court.

   At the end of 2003, United Securities instituted proceedings in court against Huacheng Group and Huacheng Investment, the proceedings were halted as the Highest People's Court informed all the courts over the country to temporarily refuse to accept cases in relation to Huacheng Group and its subsidiaries through an openly transmitted telegraph. Therefore, United Securities initiated the negotiation with Nuclear Energy Corp in relation to the application of freezing the 13.48 million shares in the No. 2 Intermediate Court under the name of Nuclear Energy Corp. The two parties reached a mutual consent on the basis of mutual benefit. United Securities agreed that the aforesaid 13.48 million shares would continue to be under the name of Nuclear Energy Corp, provided that the entire equity would be spilt up in two parts in 40-60 proportion, in which Nuclear Energy Corp obtained 5.5 million shares, and the remaining 7.98 million shares were obtained by United Securities as the settlement of the debt owed by Huacheng Investment. In 2008, the 13.48 million shares of Huacheng Investment were transferred to Nuclear Energy Corp. By then, Nuclear Energy Corp, on behalf of United Securities, held the 7.98 million shares, which were originally held by Huacheng Investment in United Securities.

   In 2009, Huatai Securities restructured United Securities. United Securities changed its name to Huatai United Securities Co., Ltd. After the split off, Nuclear Energy Corp held 10.98 million shares of Huatai United Securities, in which 8.586 million shares were held on its behalf, and 2.394 million shares were held as warehouser. Huatai Securities then negotiated with Nuclear Energy Corp, agreeing that Nuclear Energy Corp transferred 2 million shares of the 2.394 million entrusted shares to Huatai Securities, and the transfer payment was made to Huatai United Securities. The remaining 394,000 shares together with the 8.586 million shares (8.98 million shares in total) were converted to equity interest in Huatai Securities. Nevertheless, the issue of the 2 million entrusted shares held by Nuclear Energy Corp was yet to be settled.

On 23 December 2014, People's Court in Xicheng District of Beijing accepted the case regarding contract dispute between Huatai United Securities and Nuclear Energy Corp. On 28 June 2016, people's court in Xicheng District of Beijing issued a civil order of (2015) Xi Min (Shang) Chu Zi No. 1048, Huatai United Securities obtained the judgement in its favor. The court judged that the defendant should continue to perform the Entrusted Equity Agreement and the Entrusted Equity Listing Transfer Agreement, and complete the equity transfer of the 2 million equity shares within 30 days commencing on the effective date of the judgement, as well as pay the proceeds from the equity transfer to Huatai United Securities. The judgement has come into effect, and is currently the processof implementation. (The amount involved in the above litigation was estimated based on the data of net assets of Huatai United Securities as of the end of the Reporting Period)

4. Debt dispute between Huatai Securities and Sichuan Shengda Group Co., Ltd. (四川聖達集團有限公司): The interest of corporate bond of Sichuan Shengda Group Co., Ltd. of 2012 ("2012 Shengda bond", bond code: 1280443) was not able to Huatai Securities in full and the principal amount of the bond was not able for redemption in full upon maturity. Huatai Securities and other creditors jointly entrusted the Chengdu branch of the Bank of Tianjin Co., Ltd. to raise a litigation at the to be paid Higher People's Court in Sichuan Province on 7 June 2016 according to the decision made in the meeting of bondholders, requesting Sichuan Shengda Group Co., Ltd. to repay the principal amounts and interests. The total principal amount was RMB300 million, based on the coupon rate of 7.25% calculating from 6 December 2014 till the date of repayment, and the penalty interest was calculated based on the annual interest rate of 3.625% from 6 December 2015 till the date of repayment (of which RMB50 million is attributable to Huatai Securities). As of 31 December 2016, the principal, interest and interest penalty receivable by Huatai Securities from Sichuan Shengda Group Co., Ltd. were RMB50 million, RMB7.5082 million and RMB1.9416 respectively. The case is currently under trial.

5. Bill dispute under No. 1 Targeted Assets Management Plan of Bank of Huafu Xiamen (華福廈門銀行) of Huatai Securities: Xiamen Bank Co., Ltd, the consignor of No. 1 Targeted Assets Management Plan of Bank of Huafu Xiamen of Huatai Securities ("No. 1 of Bank of Huafu Xiamen"), in view of disputes of the relevant bill disputes over No. 1 Targeted Assets Management Plan filed a lawsuit on contract disputes to the High People's Court in Fujian Province on 17 October 2016 against the Shenzhen Branch of Bank of Ningbo Co., Limited (寧波銀行股份有限公司), with the litigation amount accounting to RMB473.845 million for the time being (up to 17 October 2016). The Shenzhen Branch of Bank of Ningbo Co., Limited, as the defendant, after receiving the materials on claim including the notice of respondence to action from the High People's Court in Fujian Province, submitted the Application for the Objection to the Jurisdiction to the High People's Court in Fujian Province on 18 November 2016 to raise its objection to the jurisdiction. The competent court will commence the trial when the jurisdiction of this case is confirmed.

   As the manager of No. 1 Targeted Assets Management Plan of Bank of Huafu Xiamen (華福廈門銀行), Huatai Asset Management was listed as third person of the civil action, and was not asked to bear the compensation liability.

   There was no adverse effect on the profits of Huatai Asset Management during and after the Period.

(III) The punishment and denouncement received by the Company for the year

During the Reporting Period, the Company received an Investigation Notice (Ref.: Yu Securities Investigation No. 2015004) (《調查通知書》(編號:渝證調查字 2015004 號)) from the CSRC on 24 August 2015 notifying the Company that, due to its activities including failing to comply with client review and inspection procedures and know-your-client requirements that may involve suspected breaches of laws and regulations, the CSRC had decided to initiate investigation proceedings against the Company in accordance with the relevant requirements under the Securities Law of the PRC (For details see the Company's announcement of Lin No. 2015-069). The Company received the Notice of Proposed Administrative Penalty (CF Zi [2015] No. 72) (《行政處罰事先告知書》(處罰字 [2015]72 號)) (For details see the Company's announcement of Lin No. 2015-073) from the CSRC on 10 September 2015. During the Reporting Period, the Company received the Determination on Administrative Penalty ([2016] No. 126) (《行政處罰決定書》([2016]126 號)) from the CSRC on 28 November 2016, which stated that:"Through investigation, Huatai Securities is suspected of committing the following illegal behaviors: For the third party transaction terminal software connected with the outside of Hangzhou Hang Seng Network Technology Service Co., Ltd (杭州恒生網絡技術服務有限公司) and Hithink Royalflush Information Network Co., Ltd (浙江新同花順網絡信息股份有限公司). Huatai Securities did not conduct software certification and failed to control effectively, and failed to implement effective management on external system access, lacking in knowledge about the identities of relevant clients. As at the investigation day, Huatai Securities had 455 client accounts using HOMS System of Hangzhou Hang Seng Network Technology Service Co., Ltd (hereinafter referred to as HOMS), and 61 client accounts using the System of Hithink Royalflush Information Network Co., Ltd. (hereinafter referred to as "Royalflush") to connect to illegal transactions. For such clients, Huatai Securities did not collect or guarantee authenticity, accuracy, integrity, coherence and readability of the information of the client transaction terminations as per requirements, nor did it adopt reliable measures to collect and record information related to client identity recognition. In conclusion, Huatai Securities did not verify to know the identity information of clients in accordance with Article 6, Article 8 and Article 13 of Regulation on Strengthening Management of Client Information (Including Client Transaction Terminal Information) of Securities & Futures Institutions, as well as Article 50 of Securities Account Management Rule of China Securities Depository and Clearing Company Limited, in violation of the provisions of Article 28 (1) of Regulation on the Supervision and Administration of Securities Companies, constituting the behavior mentioned in Article 84 (4) of Regulation on the Supervision and Administration of Securities Companies, and obtaining profits of RMB18,235,275.00. After the CSRC issued the Opinions in Relation to the Rectification of Illegal Activities in the Securities Business (CSRC Announcement No. [2015]19) Business (《關於清理整頓違法從事證券業務活動的意見》)(證監會公告 ([2015]19 號)) on 12 July 2015, Huatai Securities still failed to take effective measures to strictly examine the authenticity of the customers' identities, failed to prevent customers from engaging in illegal trading activities through securities trading channels, and opened 102 new sub-accounts for customers, which constituted serious and severe violations. The aforesaid facts can be proved by evidence such as inquiry records of relevant personnel, historical records of authorization and transaction data of HOMS and Royalflush access accounts, explanation from Huatai Securities and commission calculation data. Based on the facts, nature, circumstance and the harmfulness to the public caused by the breach by the relevant parties, the CSRC made the following decisions pursuant to Article 84 of the Regulations on Supervision and Management of Securities Companies: an order to Huatai Securities to rectify and warning are given the illegal income of RMB18,235,275.00 would be confiscated, and a fine of RMB54,705,825.00.

According to the relevant regulatory requirements on external access information system, the Company began to clear and sort out external information system and accounts since June 2015. In August 2015, the Company cut off the special access line of Hundson HOMS, limited the access from Royalflush assets management platform, and shut down the external connection system with fund-matching financing risks. As of 19 August 2015, all accounts connecting with HOMS were cleared out, and account white list control mechanism was put into use for all systems connected with the outside. The Company organized and completed the technical due diligence and evaluation on existing external connection system.

During the Reporting Period, the Company further standardized the application process, such as access, evaluation, test, interface and circuit, of external information system, to realize standardized management to external access information system. In order to track the potential new illegal access behavior, the Company established a customer transaction monitoring system to conduct monthly monitoring and analysis of transactions for customer having been accessed, the report on transaction terminal code, and the access suspected to be unauthorized. The Company conducted and completed the special transformation relating to feature codes of existing external connection system, established verification mechanism of feature code data, and formed an abnormal data report based on the monthly summary. The Company implemented the system improvement based on an analysis of an abnormal reasons of feature code. During the Reporting Period, the Company continued to promote the standardization of the transaction terminal codes, and continuously monitored, monthly investigated, and timely improved the system.

IX. Punishment on and rectification of the Company and its Directors, Supervisors, senior management, controlling shareholders, de facto controllers and purchasers

During the Reporting Period, none of the Directors, Supervisors, senior management, shareholders holding over 5% of equity interest or de facto controllers of the Company was investigated by competent authorities, imposed with coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, banned from accessing to market, identified as an unsuitable person, punished by other administrative departments or publicly condemned by a stock exchange.

For details of punishment on and rectification of the Company during the Reporting Period, please refer to "(III) The punishment and denouncement received by the Company this year" under "Major Events" "VIII. Material litigation, arbitration".

X. Integrity of the Company and its controlling shareholders and de facto controllers

During the Reporting Period, the Company and its de facto controllers maintained excellent integrity and there were no such cases as non-performance of effective court judgment or overdue of relative large liability.

XI. Share incentive scheme, employee stock ownership plan or other employee incentives and their implication

During the Reporting Period, the Company did not implement any share incentive scheme, employee stock ownership plan or other employee incentives.

XII. Material connected transaction

Refer to Note 58 to the consolidated financial statements for the connected transactions under the relevant accounting standards. The Company confirmed that the associated-party transactions were not qualified as the Connected Transactions or the Continuing Connected Transactions as defined in Chapter 14A of the Hong Kong Listing Rules (as the case may be), and is subject to the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

XIII. Material contracts and performance of obligation thereof

(I) Custody, contracting and lease

During the Reporting Period, the Company did not have any custody, contracting or lease arrangements.

(II) Guarantees

Unit: one hundred million yuan Currency: RMB

External guarantee of the Company (excluding guarantee to subsidiaries)

Guarantors	Relationship between guarantors and listed company	Secured parties	Amount guaranteed	Date of guarantee (Date of agreement signed)	The starting date of guarantee	Expiry date of guarantee	Types of guarantee	Whether the guarantee has been duly performed or not	Whether the guarantee past due or not	Amount guaranteed past due	Whether counter-guarantee existed or not	Whether to be guaranteed for related parties	Related Relationship
Huatai Securities (counter guarantee)	Headquarter of the Company	Bank of China (provide guarantee for the wholly-owned subsidiaries of the Company, and is the secures party of the counter guarantee)	30	2014.9.24	2014.9.24	2020.5.7	Guarantee for joint and several liabilities	No	No	—	Yes	No	—

Total amount of guarantees during the Reporting Period (excluding the guarantees for subsidiaries)	0
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees for subsidiaries)	30
Guarantees of the Company and its subsidiaries for the subsidiaries	
Total amount of guarantees for subsidiaries during the Reporting Period	50
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)	62
Total guarantee amount of the Company (including the guarantees for subsidiaries)	
Total guarantee amount (A+B)	92
Percentage of the total guarantee amount to net assets of the Company (%)	10.91
Among which:	
Amount of the guarantees provided for shareholders, actual controllers and their associated parties (C)	0
Amount of the debt guarantees provided directly or indirectly for the guaranteed objects with an asset-liability ratio of more than 70% (D)	0
Amount of the guarantees with the guarantee amount of over 50% of net assets (E)	0
Total amount of the three guarantees mentioned above (C + D + E)	0

External guarantee of the Company (excluding guarantee to subsidiaries)

Undue guarantees with joint and several liabilities

Conditions of guarantees	1. Huatai International Finance I Limited under Huatai Financial Holdings (Hong Kong) completed the first foreign bond issuance on 8 October 2014. In order to enhance the debt service guarantee for the first foreign bonds and reduce the issuing rate, the authorized person of the Company authorized at the Company's Annual General Meeting for 2013, determined to have the Bank of China Macao Branch provide a guarantee for the first foreign bonds with a standby L/C. At the same time, according to the resolution of the 9th meeting of the third session of the Board, the Company issued a Letter of Counter Guarantee to the Bank of China with regard to the standby L/C opened for the first foreign bonds issued by the Company. The amount of the counter guarantee did not exceed the principal, interest and other relevant expenses of the bonds, totaling RMB3 billion equivalent US Dollars. It was a guarantee with joint and several liability. And the guarantee period would last until 6 months after the expiration of the standby L/C. 2. In January 2015, Huatai Asset Management was officially founded. In order to ensure that the risk control indicator of Huatai Asset Management remain in conformity with the regulatory requirements, after obtaining the approval through deliberation at the 16th meeting of the third session of the Board of the Company and the Annual General Meeting for 2014, the Company provided a net capital guarantee with the maximum amount of RMB1.2 billion for Huatai Asset Management and promised that it would provide cash within the said limit unconditionally when Huatai Asset Management requires for business. After obtaining the approval through deliberation at the 35th meeting of the third session of the Board of the Company and the 2nd Extraordinary General Meeting in 2016, the Company provided a net capital guarantee with the maximum amount of RMB5 billion for Huatai Asset Management and promised that it would provide cash within the said limit unconditionally when Huatai Asset Management requires for business.

(III) Other material contracts

Currency: RMB

Name of contract	Contracting parties	Date of signing	Asset underlying the contract					Price for transaction	Performance
			Carry amount	Assessed value	Name of assessment agency	Base date of assessment	Principle of pricing		
General construction contract for HTSC Square	HTSC and China Jiangsu International Economic and Technological Cooperation Group Ltd.	30 July 2010						RMB1,132,851,800	In July 2010, the Company and China Jiangsu International Economic and Technological Cooperation Group Ltd. entered into the General Construction Contract for HTSC Square. During the Reporting Period, the contract was duly performed and the Company paid RMB16,138,574.85 under the general construction contract and principal sub-contracts thereof. As of the end of the Reporting Period, the Company has paid RMB724,265,117.82 in total under the general construction contract.
Construction contract for smart facilities at HTSC Square	HTSC and Shanghai Haode Tech Co., Ltd.	6 March 2012						RMB213,000,000	In March 2012, the Company and Shanghai Haode Tech Co., Ltd. entered into the Construction Contract for Smart Facilities at HTSC Square. On 15 February 2016, a supplementary agreement was entered in which the contract amount was adjusted to RMB213,000,000 from RMB198,899,700. During the Reporting Period, the contract was duly performed and the Company paid RMB10,386,111 under the construction contract for smart facilities. As of the end of the Reporting Period, the Company has paid RMB171,696,385 in total under the construction contract for smart facilities.

Name of contract	Contracting parties	Date of signing	Asset underlying the contract: Carry amount	Assessed value	Name of assessment agency	Base date of assessment	Principle of pricing	Price for transaction	Performance
Construction contract for interior decoration of the second bid section of HTSC Square	HTSC and Zhejiang Yasha Decoration Co., Ltd	21 May 2013						RMB122,000,000	On 21 May 2013, the Company and Zhejiang Yasha Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Second Bid Section of HTSC Square. On 14 July 2016, supplementary agreement was entered to adjust the contract amount to RMB122,000,000 from RMB117,584,500 During the Reporting Period, the contract was duly performed and the Company paid RMB12,417,469.68 under the construction contract for interior decoration of the second bid section. As of the end of the Reporting Period, the Company has paid RMB95,469,869.01 in total under the construction contract for interior decoration of the second bid section.
Construction contract for interior decoration of the first bid section of HTSC Square	HTSC and China Building Technique Group Co., Ltd.	21 May 2013						RMB98,000,000	On 21 May 2013, the Company and China Building Technique Group Co., Ltd. entered into the Construction Contract for Interior Decoration of the First Bid Section of HTSC Square. On 9 July 2015, the supplementary agreement (2) was entered in which the contract amount was adjusted to RMB98,000,000. During the Reporting Period, the contract was duly performed and the Company paid RMB19,420,681.2 under the construction contract for interior decoration of the first bid section. As of the end of the Reporting Period, the Company has paid RMB94,042,065.56 in total under the construction contract for interior decoration of the first bid section.

Name of contract	Contracting parties	Date of signing	Asset underlying the contract: Carry amount	Assessed value	Name of assessment agency	Base date of assessment	Principle of pricing	Price for transaction	Performance
Construction contract for interior decoration of the third bid section of HTSC Square	HTSC and Shenzhen ShenZhuangZong Decoration Co., Ltd.	October 2013						RMB135,052,600	In October 2013, the Company and Shenzhen Shen Zhuang Zong Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Third Bid Section of HTSC Square. On 3 February 2016,the supplementary agreement was entered in which the contract amount was adjusted to RMB135,052,600 from RMB131,586,304.3. During the Reporting Period, the contract was duly performed and the Company paid RMB14,394,451.68 under the construction contract for interior decoration of the third bid section. As of the end of the Reporting Period, the Company has paid RMB108,995,658.88 in total under the construction contract for interior decoration of the third bid section.
Contract on Hengyi No. 15402 beneficiary certificate of HTSC	HTSC and Bank of Shanghai Co., Ltd.	24 June 2015						RMB5,200,000,000	On 24 June 2015, the Company and Bank of Shanghai Co., Ltd. entered into the Contract on Hengyi No.15402 Beneficiary Certificate which was duly performed during the Reporting Period.

XIV. Other major events

(I) During the Reporting Period, the legal person of the Company was changed from "Wu Wan Shan" to "Zhou Yi". The business license, the organization code certificate and the certificate of taxation registration were integrated into one document, and the unified social credit code is 91320000704041011J.

(II) Capital increase in subsidiaries by the Company

During the Reporting Period, for the details of capital increase in subsidiaries by the Company, please refer to "Management Discussion and Analysis and Report of the Board", "II. Main Operations during the Reporting Period" and "(X) Other information" of this announcement.

(III) Investment and Contribution of Huaitai Zijin Investment and Establishment of Subsidiaries

1. *Yili Huatai Ruida Equity Investment Management Co., Ltd. (伊犁華泰瑞達股權投資管理有限公司), Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership) (伊犁華泰瑞達股權投資管理合夥企業(有限合夥)) and Yili Suxin Investment Fund (Limited Partnership) (伊犁蘇新投資基金合夥企業(有限合夥))*

   Huatai Zijin Investment promoted and established Yili Huatai Ruida Equity Investment Management Co., Ltd. on 24 November 2015, with a registered capital of RMB2 million, of which Huatai Zijin Investment subscribed for a contribution of RMB1.02 million, accounting for 51%.

   Yili Huatai Ruida Equity Investment Management Co., Ltd. promoted and established Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership) on 30 December 2015. Yili Huatai Ruida Equity Investment Management Co., Ltd., as the executive partner and general partner, subscribed for a contribution of RMB20,000, accounting for 1% of the total subscription for contribution, and assumed unlimited liability; Huatai Zijin Investment as limited partner, subscribed for a contribution of RMB1.02 million, accounting for 51% of the total subscription for contribution, and assumed limited liability. As of 31 December 2016, Huatai Zijin Investment paid a contribution of RMB163,200 to Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership).

   Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership) promoted and established Yili Suxin Investment Fund (Limited Partnership) on 19 February 2016. Yili Huatai Ruida Equity Investment Management Partnership Enterprise (Limited Partnership), as the executive partner, general partner and fund manager, subscribed for a contribution of RMB1 million, accounting for 0.0526% of the total subscription for contribution, and assumed unlimited liability; Huatai Zijin Investment as limited partner, subscribed for a contribution of RMB469 million, accounting for 24.68% of the total subscription for contribution, and assumed

limited liability. As of 31 December 2016, Huatai Zijin Investment paid a contribution of RMB328.3 million to Yili Suxin Investment Fund (Limited Partnership).

On 22 November 2016, the business scope of Yili Suxin Investment Fund (Limited Partnership) changed from "non-securities investment and relevant counseling services" to "investment in non-listed companies, holding shares in listed companies acquired through private issues or private transfers, etc. and relevant counseling services".

2. *Nanjing Huatai Ruilian Merger and Acquisition Fund No. 1 (Limited Partnership)*

Nanjing Huatai Ruilian Equity Investment Fund Management Partnership Enterprise (Limited Partnership) (南京華泰瑞聯股權投資基金管理合夥企業(有限合夥)) promoted and established Nanjing Huatai Ruilian Merger and Acquisition Fund No.1 (Limited Partnership) on 25 November 2015. Nanjing Huatai Ruilian Equity Investment Fund Management Partnership Enterprise (Limited Partnership), as the executive partner and general partner, subscribed for a contribution of RMB63 million, accounting for 1.16% of the total subscription for contribution, and assumed unlimited liability. Huatai Zijin Investment as limited partner, subscribed for a contribution of RMB2,600 million, accounting for 47.78% of the total subscription for contribution, and assumed limited liability. The scope of business for Nanjing Huatai Ruilian Merger and Acquisition Fund No. 1 included non-securities investment and relevant counseling services (those requiring approvals in accordance with laws shall only be carried out after relevant approvals are obtained from relevant authorities). As of 31 December 2016, Huatai Zijin Investment made a paid-in contribution amounting to RMB2,600 million to such fund, among which RMB1,259.66 million was paid by its fund shares of Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership) and RMB1,340.34 million was paid by cash.

3. *Huatai China Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)(華泰招商(江蘇)資本市場投資母基金(有限合夥))*

Huatai China Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership) was established on 22 March 2016, by Huatai Ruilian Fund Management Co., Ltd. and Shanghai China Merchants Equity Investment Fund Management Co., Ltd. (上海招銀股權投資基金管理有限公司). Huatai Ruilian Fund Management Co., Ltd. subscribed for a contribution of RMB10 million as the executive partner and general partner, representing 0.10% of the total subscribed contribution, and it undertook unlimited liability. Shanghai China Merchants Equity Investment Fund Management Co., Ltd. subscribed for a contribution of RMB10 million as the general partner, representing 0.10% of the total subscribed contribution, and it undertook unlimited liability. Huatai Zijin Investment subscribed for a contribution of RMB1 billion, representing 9.98% of the total subscribed contribution, and it undertook limited liability. As of 31 December 2016, Huatai Zijin Investment made a paid-in contribution of RMB300 million to Huatai China Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership).

4. *Nanjing Huatai Ruitong Investment Management Co., Ltd. (南京華泰瑞通投資管理有限公司), Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)*

   Huatai Ruitong Investment Management Co., Ltd., a subsidiary controlled by Huatai Zijin Investment, completed the change of industrial and commercial registration on 18 November 2016. Changes included: ① change of name from "Huatai Ruitong Investment Management Co., Ltd." to "Nanjing Huatai Ruitong Investment Management Co., Ltd."; ② change of registered capital from "RMB50 million" to "RMB5 million".

   Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) established by Nanjing Huatai Ruitong Investment Management Co., Ltd. completed the change of industrial and commercial registration on 26 December 2016, in which the total subscribed contribution of the fund was changed from RMB2 billion to RMB1 billion. Nanjing Huatai Ruitong Investment Management Co., Ltd., as the executive partner and general partner, changed its subscribed contribution from RMB50 million to RMB25 million. Huatai Zijin Investment, as a limited partner, changed its subscribed contribution from RMB915 million to RMB457.50 million. All the aforesaid paid-in contribution was received.

5. *Beijing Huatai New Industries Growth Investment Fund (Limited Partnership) (北京華泰新產業成長投資基金(有限合夥))*

   Huatai Ruilian Fund Management Co., Ltd., a subsidiary controlled by Huatai Zijin Investment, established Beijing Huatai New Industries Growth Investment Fund (Limited Partnership) on 13 July 2016 with a fund size of RMB2.523 billion. As of 31 December 2016, the initial contribution of the fund was received, which accouted for 50% of the total subscribed contribution of the fund. Huatai Ruilian Fund Management Co., Ltd. subscribed for a contribution of RMB40 million as the executive partner and general partner, representing 1.59% of the total subscribed contribution, and it undertook unlimited liability. Huatai China Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership), managed by Huatai Ruilian Fund Management Co., Ltd. as the executive partner, subscribed for a contribution of RMB250 million as a limited partner, representing 9.91% of the total subscribed contribution, and it undertook limited liability.

6. *Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership)*

   Huatai Zijin Investment completed its second installment of contribution amounting to RMB88 million to Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) on 11 November 2016, representing 20% of the total subscribed contribution. As of 31 December 2016, Huatai Zijin Investment completed its paid-in contribution amounting to RMB308 million to Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership), representing 70% of the total subscribed contribution.

7. *Nanjing Huatai Ruixing Investment Management Co., Ltd. (南京華泰瑞興投資管理有限公司), Nanjing Huatai Ruixing Investment Fund Management Partnership (Limited Partnership) (南京華泰瑞興投資基金管理合夥企業(有限合夥)), Nanjing Huatai Massive Health No. 1 Equity Investment Partnership (Limited Partnership) (南京華泰大健康一號股權投資合夥企業(有限合夥)), Nanjing Huatai Massive Health No. 2 Equity Investment Partnership (Limited Partnership) (南京華泰大健康二號股權投資合夥企業(有限合夥))*

   Huatai Zijin Investment established Nanjing Huatai Ruixing Investment Management Co., Ltd. on 21 November 2016 with a registered capital of RMB1 million, of which Huatai Zijin Investment subscribed for a contribution of RMB510,000, representing 51% of the total. As of 26 January 2017, Huatai Zijin Investment has completed its paid-in contribution of RMB40,800, representing 8% of the total subscribed contribution. Nanjing Huatai Ruixing Investment Management Co., Ltd. established Nanjing Huatai Ruixing Investment Fund Management Partnership (Limited Partnership) on 7 December 2016.

   Nanjing Huatai Ruixing Investment Management Co., Ltd. subscribed for a contribution of RMB10,000 as the executive partner and general partner, representing 1% of the total subscribed contribution, and it undertook unlimited liability. Huatai Zijin Investment subscribed for a contribution of RMB510,000 as a limitd partner, representing 51% of the total subscribed contribution, and it undertook limited liability.

   Nanjing Huatai Ruixing Investment Fund Management Partnership (Limited Partnership) established Nanjing Huatai Massive Health No. 1 Equity Investment Partnership (Limited Partnership) on 28 December 2016. Nanjing Huatai Ruixing Investment Fund Management Partnership (Limited Partnership) subscribed for a contribution of RMB400,000 as the executive partner, general partner and fund manager, representing 0.028% of the total subscribed contribution, and it undertook unlimited liability. Huatai Zijin Investment subscribed for a contribution of RMB479.10 million as a limitd partner, representing 33.52% of the total subscribed contribution, and it undertook limited liability.

   Nanjing Huatai Ruixing Investment Fund Management Partnership (Limited Partnership) established Nanjing Huatai Massive Health No. 2 Equity Investment Partnership (Limited Partnership) on 28 December 2016. Nanjing Huatai Ruixing Investment Fund Management Partnership (Limited Partnership) subscribed for a contribution of RMB100,000 as the executive partner, general partner and fund manager, representing 0.1% of the total subscribed contribution, and it undertook unlimited liability. Huatai Zijin Investment subscribed for a contribution of RMB19.90 million as a limitd partner, representing 19.9% of the total subscribed contribution, and it undertook limited liability.

(IV) Establishment of subsidiaries by Huatai Financial Holdings (Hong Kong)

During the Reporting Period, Huatai Financial Holdings (Hong Kong) incorporated two subsidiaries, namely Huatai International Investment Holdings Limited (hereinafter referred to as "HIIH") and AssetMark Holdings LLC. HIIH is an investment holding company incorporated in Cayman Islands. The company engages in investment holding business. AssetMark Holdings LLC is a subsidiary of HIIH, registered in State of Delaware, the U.S.. The company engages in investment holding business.

(V) Investment of RMB10 million for equity participation in Suzhou Equity Exchange Center Co., Ltd. by Jiangsu Equity Exchange

During the Reporting Period, Jiangsu Equity Exchange invested RMB10 million for equity participation in Suzhou Equity Exchange Center Co., Ltd., accounting for 20% of the total contribution.

(VI) Investment in Huatai Capital Management (Hong Kong) Co., Ltd. (華泰資本管理(香港)有限公司) by Huatai Futures

During the Reporting Period, Huatai Futures invested HK$23.31 million (equivalent to RMB19,755,200) in Huatai Capital Management (Hong Kong) Co., Ltd., and held 70% of its shares and voting rights.

Huatai (Hong Kong) Futures Limited, a subsidiary of Huatai Futures was licensed by the SFC to carry out type 2 (dealing in futures contracts) and type 5 (advising on futures contracts) regulated activities on 14 September, and was officially opened for business on 28 November. The capital injection and application for licenses of Huatai Financial USA, a subsidiary, is also progressing steadily.

(VII) For other major events disclosed by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, website of Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) by the Company during the Reporting Period, please refer to Appendix III: Information Disclosure Index.

XV. Fulfilling of corporate social responsibility

(I) Poverty Alleviation Efforts of Listed Companies

1. Targeted Poverty Alleviation Planning

(1) Basic strategies: alleviating and getting rid of poverty in targeted areas

(2) General objectives: to help poor counties get rid of poverty soon, and to make due contribution in respect of building a moderately prosperous society comprehensively by 2020 in order to overcome poverty by fully capitalizing on the Company's advantages on talents, intelligence, resources and capital.

(3) Main mission: to help targets of poverty alleviation and areas in poverty proactively in developing industries with characteristics and advantages by integrating local resources, to enhance the development capability of such targets and areas with the help of the capital market and to continue to strengthen the internal momentum of economic development.

(4) Protection measures

1) Establishing poverty alleviation work stations which offer financial services: establishing poverty alleviation work stations which offer financial services in poor areas, and establishing a long-term effective system regarding participating in poverty alleviation programs to give assistance to the poor in order to achieve deep connection between the Company and the poverty alleviation targets.

2) Setting up branches: Setting up branches in poor areas when the condition is mature, providing information on securities laws and financial knowledge, disseminating rational investment concepts so as to facilitate the healthy development of local capital markets.

3) Providing multi-layered capital market poverty alleviation services

① Meeting the cultivation and incubation demand of listing guidance in poor counties precisely, recommending eligible quality enterprises to carry out listing and financing proactively, providing assistance to enterprises in the county areas on regulatory governance, as well as providing advice and suggestions for enterprises entering the capital market.

② Participating proactively in supply-side structural reform in poor counties and providing differentiated financial services to enterprises with different sizes, types and growth stages.

③ Carrying out training to improve financial knowledge.

4) Providing industry poverty alleviation services

① Providing support and services for the establishment of industry funds in poor counties, participating and providing guidance actively in the management and operation of funds, providing investment, financing and management consulting services for small- and medium-sized enterprises in poor counties, facilitating the economic development and industry upgrading of poor counties by broadening financing channels.

② Assisting poor counties to carry out promotional activities to attract enterprises and investments based on the industry development condition of the poor counties

5) Providing poverty alleviation services regarding consumption: helping special agricultural products of poor counties to broaden their sales channels by using the China Securities inter-connection business platform on poor alleviation regarding consumption actively in order to increase famers' income and boost industrial development.

6) Providing poverty alleviation services regarding education: organizing outstanding internal lecturers to interact with higher vocational institutes of poor counties, in an effort to help foster financial professionals in poor counties and to provide strong support in human resources for the long-term development of poor counties.

7) Providing employment and poverty alleviation services: Under the same condition, employing fresh graduates from poor families in administrative record for poverty registration in poor counties which are given assistance by twining poverty alleviation programs in priority to help solve the employment problem of poor families.

8) Providing community services for poverty alleviation

① Operating aiding impoverished groups activities specifically, organizing compassionate people to offer donations of money and materials to poor villages and poor families with established archives and cards.

② Operating multi-type community activities such as caring for the construction of Children's Home to promote the development of poor counties' public undertakings.

9) Actively introducing local characteristic resources: integrating the practice of the Company with that of poor areas with practice of the Company itself and poor areas, actively introduce local characteristic resources such as ecology, tourism and education, e.g. form a red education base with the revolutionary districts.

10) Selecting staff to take temporary posts: according to poor areas' demands, select politically qualified staff with high professional level and strong capability ability of organization and coordination to take temporary posts in poor areas to carry out targeted poverty alleviation.

2. *Outline of Targeted Poverty Alleviation of the Year*

In 2016, while focusing on the transformation, upgrading, innovation and development of our Company, we assumed social responsibilities to actively promote targeted poverty alleviation programs, making efforts to improve both social benefits and

economic benefits of the Company. We provided the counterpart-assistance to Northern Jiangsu, which achieved remarkable results. The Company has been providing counterpart-assistance to Northern Jiangsu area for 22 consecutive years, and in this year, the targeted area changed from Suining County, Jiangsu Province to Feng County, Jiangsu Province. In this year, the Company allocated poverty alleviation of RMB450,000 for the construction of "repository for the preservation of 600 tons of fruit and vegetables" project in Honglou Village, Liangzhai Town, Feng County. After the completion of the project, the management of agricultural industrialization will be directly promoted, and part of the rural surplus labor can be settled, and drive relevant industrial development such as packaging, transportation and maintenance. Currently, some business owners have entered into lease contracts with the village with a prepaid rental of RMB150,000, which greatly enhances the village's own capabilities to build up capabilities and strengths. After one-year struggle and effort, collective economic income of Honglou Village amounted to RMB225,000, which exceeded the anti-poverty standard of RMB180,000 in Jiangsu Province. The income of 39 farmer families of low income registered poor family (totally 109 people) amounted to more than RMB6,000 per capita, and they shook off poverty. Secondly, the policy of "a company, a county" made a breakthrough. In October 2016, the Company actively responded to the action of "a company, a county" published by the Securities Association of China to help the national poor counties in pairs, and reached twinning intentions with Jinzhai County, Anhui Province, and focused capitalizing on the resources and advantages of the Company to provide comprehensive financial services to Jinzhai County, Anhui Province. According to the needs of Jinzhai, we carried out training on unscrambling capital policy on poverty alleviation, and special training on investment promotion for enterprises intended for listing to the officials of all levels in Jinzhai, which unscrambled detailedly on the current situation of capital market, policy of poverty alleviation and its operation, and the conditions and key points for IPO. According to the practical situation in Jinzhai, we provided many constructive proposals on investment promotion and capital introduction, and nearly 500 people attended this training. In addition, the Company utilized its own advantage as an intermediary agent for the two ends of investment and financing, actively helping the enterprises intended for listing in Jinzhai to conduct tutoring training and to conduct investment promotion based on the industrial characteristics of Jinzhai. We introduced and assisted 4 companies to register in Jinzhai. What is more, we engaged in more commonweal undertakings to help the distressed. The Company insisted on engaging in commonweal undertakings to help the distressed in various ways in the year of 2016, involving many aspects including study assistance, aiding of the poor, commonweal sponsorship and helping the disaster-struck areas, the commonweal expenses of which were RMB8.5953 million. The Company built "the Home of Our Children" in centralized regions of left-behind children including the Anqing Hetu Primary School in Anhui province (安徽省安慶河圖小學) and Suqian Cangji Central Primary School in Jiangsu province (江蘇省宿遷倉集中心小學) through the program of "For Children, For Tomorrow" donated by the Company through the China Charity Federation while helping actively with the location and construction of "the Home of Our Children" in Jinzhai region in Anhui province which was the Company's chosen place for aiding of the poor. By the fellowship of RMB0.7 million donated by Jiangsu

Foundation for poverty alleviation, in five cities of Northern Jiangsu, there were 350 poor but excellent senior high school student facing college entrance examination in high school were subsidized. When facing natural disasters, the Company had a swift response to help disaster-struck areas, and the total donation to disaster-struck areas suffering from tornado and hail such as Funing, Sheyang in Jiangsu province, was up to RMB3.03 million. With the encouragement from the Company, employees participated in commonweal undertakings actively, and donated RMB0.5482 million to disaster-struck areas of Funing and Sheyang, which fully carried forward the spirit of unity and mutual assistance in times of difficulties. In the commonweal program series of "the Commonweal Heart of Huatai", RMB0.11 million were raised. Meanwhile, employees of the Company responseded actively to the activities proposing of "Caring Children Living in the Mountains, Sharing the warmth of Winter Together" by the Securities Industry Association in Jiangsu(江蘇證券業協會), and donated 266 clothes, 482 books, 75 study tools and 12 toys.

3. Statistical Table of Targeted Poverty Alleviation by Listed Companies in 2016

Unit: Ten thousand Currency: RMB

Index	**Number and implementation information**
I. General information	
Including: 1. Fund	859.53
2. Number of poor people helped to be removed from administrative record for poverty registering (Persons)	109
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Types of industrial poverty alleviation projects	✓ Poverty alleviation through agriculture and forestry ☐ Poverty alleviation through tourism ☐ Poverty alleviation through E-commerce ☐ Poverty alleviation through assets Income ☐ Poverty alleviation through science and technology √ Others
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial poverty alleviation projects	45.00
1.4 Number of poor people helped to be removed from administrative record for poverty registering (Persons)	109

2. Poverty alleviation through education		
Including:	2.1 Amount invested in subsidizing poor students	124.00
	2.2 Number of students receiving allowance (Persons)	350
	2.3 Amount invested in improvement of education resources in poverty area	6.00
3. Other projects		
Including:	3.1. Number of projects (Project)	13
	3.2. Amount invested	684.53
	3.3. Details of other projects	1. Supporting the disaster areas. Donated in total of RMB3.0602 million to disaster areas suffered severely by tornado and hail in Funing County, Yancheng City and flooded areas such as Huanggang City, Hubei Province. 2. Participating in various of poverty alleviation and donating in total of RMB285,100 as love fund. 3. RMB3.5 million for other public-good sponsorships.

4. Follow-up Targeted Alleviation Plan

(1) Making every effort to develop "Five Parties Linking Together" (「五方掛鈎」) assistance in pairs in the new period of Jiangsu Province

① The Company allocates funds for poverty alleviation to push the construction of "Fruits and Vegetables Fresh-keeping Refrigeration of 600 Tons" in Honglou Village of Liangzhai Town in Feng County to be completed early and to support the village to develop infrastructure construction collectively.

② The cadres on secondment fully take their advantages of staying at villages to realize the precision of targets of aid, assistance projects and assistance measures by profound interview and investigation.

(2) Actively promote "One Company One County" (「一司一縣」) Assistance in Pair

① Financial poverty alleviation workstation gives full play to the role as a fort, which further consolidates and improves the assistance mechanism with lasting effect, so the needs of the Company and Jinzhai County could be seamlessly matched and satsified.

② Development of industrial poverty alleviation: in order to enhance the internal motivation of economic development in Jinzhai County, the Company supports the "Angel Investment Funds" established by the government of Jinzhai County and participates in the management and operating of the funds actively.

③ Implementation of consumption poverty alleviation: the Company promotes high quality agricultural byproducts with Jinzhai County's local characteristics to be listed on "Zhong Zheng Pu Hui (「中證普惠」) APP and explores the new model of consumption poverty alleviation.

④ Active promotion of red educational resources in Jinzhai County

(3) Participation in public welfare in various ways

① The Company actively performs social responsibility, participates in the works of helping those in distress and those in peril which are arranged by Securities Association of China, the Securities Association of Jiangsu Province and various social welfare organizations. In addition, the Company supports and assists social volunerable groups of different types in different areas.

② The company strengthens the following-up work and feedbacks of public welfare programs of the Company, to ensure that the assistance precisely targets the intended group, and improves the precision of the use of the fund.

(II) Social Responsibility

The Company is listed as a financial company on SSE and also listed inside and outside China. While disclosing the 2016 Annual Results Announcement, the Company will also disclose 2016 Annual CSR Report of Huatai Securities Co., Ltd. For details of the report, please check the website of SSE (www.sse.com.cn), the website of Hong Kong Stock Exchange (www.hkexnews.hk) and the website of our Company (www.htsc.com.cn) on 31 March 2017.

(III) Statement on the Environmental Protection Practice of Companies and their Subsidiaries Which are Severely Polluting Units as specified by Environmental Protection Authorities

The Company did not have any material environmental problems or other material social safety problems during the Reporting Period.

XVI. Convertible corporate bonds

The Company did not have any issues concerning the convertible corporate bonds during the Reporting Period.

XVII. Condition of qualification change of the business of the Company

(I) Qualification change of the business of the Company

On 3 November 2016, the Company received the Notice on Approval for Granting the Authority for Access to Southbound Trading Business under the Shenzhen-Hong Kong Stock Connect of Guosen Securities and other Member Units (SZH[2016] No. 326) of Shenzhen Stock Exchange. According to the Notice, Shenzhen Stock Exchange agreed to grant the trading authority for access to Southbound trading business under the Shenzhen-Hong Kong Stock Connect of the related trading units of the Company. On 5 December 2016, the Sothbound Trading Business under the Shenzhen-Hong Kong Stock Connect was officially launched.

(II) Qualification change of the business of subsidiaries

1. On 26 July 2016, Huatai Asset Management received the Reply on Approval for the Qualification of Huatai Asset Management on Management of Publicly Raised Securities Investment Funds (ZJXK(2016) No. 1682) of CSRC. On 20 October, it received the license for the operation of securities and futures business issued by CSRC, in which the "management of publicly raised securities investment funds" was added into the scope of operations of securities and futures.

2. On 5 August 2016, CSRC Guangdong Bureau approved the qualification of Huatai Futures on sales of investment funds and approved the addition of "fund securities" in the scope of business of the company.

XVIII. Main off-balance sheet items that may affect the Company's financial situation and operating results

1. Huatai International Finance I Limited under Huatai Financial Holdings (Hong Kong) Limited completed the first offshore bond issuance on 8 October 2014. In order to enhance the repayment guarantee for the first offshore bonds and reduce the issuing rate, according to the mandate granted at the Company's Annual General Meeting for 2013, the authorized person of the Company determined to have the Bank of China Macao Branch providing a guarantee for the first offshore bonds with a standby L/C. At the same time, according to the resolution of the 9th meeting of the third session of the Board of the Company, the Company issued a Letter of Counter Guarantee to the Bank of China with regard to the standby L/C opened for the first offshore bonds issued by the Company. The amount of the counter guarantee did not exceed the principal, interest and other relevant expenses of the bonds, totaling the USD equivalent of RMB3 billion. It was a guarantee with joint and several liability. And the guarantee period would last until 6 months after the expiration of the standby L/C.

2. In January 2015, Huatai Asset Management officially operated. In order to ensure that the risk control indicators of Huatai Asset Management remain in conformity with the regulatory requirements, after consideration and approval at the 16th meeting of the

third session of the Board and the Annual General Meeting for 2014, the Company provided a net capital guarantee with the maximum amount of RMB1.2 billion for Huatai Asset Management and promised that it would provide cash within the said limit unconditionally when Huatai Asset Management is in need of cash support for commencing its business operation. After consideration and approval at the 35th meeting of the third session of the Board and the 2nd Extraordinary General Meeting in 2016, the Company provided a net capital guarantee with the maximum amount of RMB5 billion for Huatai Asset Management and promised that it would provide cash within the said limit unconditionally when Huatai Asset Management is in need of cash support for commencing its business operation.

XIX. Important matters after the balance sheet date

(I) Changes in shareholders, Directors, Supervisors and senior management

On 10 January 2017, the Board of Directors received the written resignation of Mr. Zhang Tao, the vice president of the Company. Mr. Zhang Tao resigned the office as the vice president of the Company and chairman of Huatai Futures due to personal work changes, and the resignation took effect from the date of submission.

On 16 March 2017, the Company received the Approval on Wang Chong's Qualification to Work as a Manager-level member of senior management in Securities Company (Su Zheng Jian Xu Ke Zi [2017] No.14) from the Jiangsu Securities Regulatory Bureau. According to the related provisions and the resolution at the 1st meeting of the fourth session of the Board, Mr. Wang Chong started to serve as the Chief Risk Officer of the Company since the date of approval.

(II) Proposal or resolution on annual distribution

Audited by KPMG Huazhen (SGP), the parent company realized net profits of RMB4,638,186,983.63 in 2016, among which, 10% was withdrawn for statutory surplus reserves, 10% for general risk reserves and 10% for trading risk reserves as prescribed in the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association. After the withdrawal (RMB1,391,456,095.08 in total), the profit available for distribution this year is RMB3,246,730,888.55.

The accumulative total of the profits available for distribution in cash to investors this year was the above amount plus the undistributed profits of the previous years of RMB10,929,349,736.65 and minus the dividends of RMB3,581,384,400.00 distributed by the Company this year according to the profit distribution plan (PDP) of 2015, namely, RMB10,594,696,225.20.

In light of the relevant provisions of the Guidelines No. 3 on the Supervision and Administration of Listed Companies — Distribution of Cash Dividends of Listed Companies and the Guidelines of Shanghai Stock Exchange on Distribution of Cash Dividends of Listed Companies issued by CSRC and the actual needs of the business development of the Company, it is recommended that the profits would be distributed as follows:

The profits of the year of 2016 will be distributed in cash dividend payment method. The Company will pay cash dividends to all A share holders and H Share holders named at the Register of Members on the record date of such cash dividend distribution for 2016. On the basis of the total share capital of 7,162,768,800.00 shares as of the end of 2016, the distribution of cash dividend would be RMB5.00 (tax inclusive) for every ten shares of to all shareholers. The total amount was RMB3,581,384,400.00. The undistributed profits RMB7,013,311,825.20 will be transferred to the following year. The cash dividends will be denominated and distributed in RMB. A-share holders will be paid in RMB and H Share holders in HKD. The actual amounts distributed in HKD are concerted based on the average benchmark exchange rate for RMB to HKD released by PBOC in the five working days prior to the date of the Annual General Meeting of the Company for 2016.

This Profit Distribution Plan shall be presented at the Annual General Meeting of the Company for 2016 for consideration and the Company will pay the dividends for 2016 to shareholders within two months after the Plan is approved at the Meeting and no later than 31 August 2017. The date for the Annual General Meeting for 2016, the record date for determining the right to receive the dividends for 2016 and the right to attend the Annual General Meeting for 2016, as well as the closure date for register will be published in due course.

(III) Material Investment and financing activities

After the Reporting Period, Huatai Zijin Investment has made capital contributions to its subsidiaries — Nanjing Huatai Big Health No. 2 Equity Investment Partnership Enterprise (Limited Partnership), Nanjing Huatai Big Health No. 1 Equity Investment Partnership Enterprise (Limited Partnership), Nanjing Huatai Ruixing Investment Management Co., Ltd. and Nanjing Huatai Ruixing Investment Fund Management Partnership Enterprise (Limited Partnership) — as follows:

On 13 January 2017, Huatai Zijin Investment made the capital contribution of RMB9.95 million to Nanjing Huatai Big Health No. 2 Equity Investment Partnership Enterprise (Limited Partnership).

On 16 January 2017, Huatai Zijin Investment made the capital contribution of RMB239.55 million to Nanjing Huatai Big Health No. 1 Equity Investment Partnership Enterprise (Limited Partnership).

On 26 January 2017, Huatai Zijin Investment made the capital contribution of RMB40.8 thousand to Nanjing Huatai Ruixing Investment Management Co., Ltd.

On 26 January 2017, Huatai Zijin Investment made the capital contribution of RMB127.5 thousand to Nanjing Huatai Ruixing Investment Fund Management Partnership Enterprise (Limited Partnership).

(IV) Material litigation and arbitration

After the Reporting Period, the Company did not have any material litigation and arbitration involving an amount of over RMB10 million.

(V) Business combination or disposal of subsidiary

After the Reporting Period, the Company did not conduct any business combination or disposal of subsidiary.

(VI) Establishment and Relocation of Securities Sales Departments and Branches

No.	Name of branches before relocation	Name of branches after relocation	Address	Issue date of license
1	Securities Branch in Shangda Road, Shaoxing	Securities Branch in Fushan, Shaoxing	No. 213, No. 101, 102, 215, No. 101, 102, 217, No. 233, 234, 236–241 Huancheng Road West, Shaoxing city	10 January 2017
2	Securities Branch in Shengli Road, Dalian	Securities Branch on Lianhe Road, Dalian	No. 4 Meiduyuan, Shahekou District, Dalian City, Liaoning Province	12 January 2017
3	Securities Branch in Zhongguan Building, Liuxian Avenue, Shenzhen	The second Securities Branch in Rongchao Business Centre, Yitian Road, Shenzhen	2/F, Block A, Rongchao Business Centre, No. 6003, Yitian Road, Lianhua Street, Futian District, Shenzhen	15 February 2017
4	Securities Branch in Zhongxin Road, Shajing, Shenzhen	Securities Branch in Alibaba Building, Houhai, Shenzhen	Shop 32, 33, 1/F, Block T4, Ali Centre, No. 3329, Keyuan South Road, Wanshan District, Shenzhen	15 February 2017
5	Securities Branch in Yezhou Avenue, Jianshi	Securities Branch in Yezhou Avenue, Jianshi	No. 109, Yezhou Avenue, Yezhou Town, Jianshi Country	20 February 2017
6	Securities Branch in Qingnian Road, Wuhan	Securities Branch on Zhujiang Road, Central Business District, Wuhan	Room 4, 26/F, Block 5, Fanhai International Soho Town, Wangjiadun Central Business District, Jianghan District, Wuhan	20 February 2017

(VII) Other situations that might materially affect the financial position, results of operation and cash flow of the Company after the Reporting Period

After the Reporting Period, the Company did not experience any situation that might materially affect the financial position, results of operation or cash flow.

Changes in Ordinary Shares and Shareholders

I. Changes in ordinary share chapital

(I) Changes in ordinary shares

1. Changes in ordinary shares

During the Reporting Period, there was no change in the total number of ordinary shares and share capital structure of the Company.

(II) Changes in shares subject to selling restrictions

Shares of the Company all belong to outstanding shares with no shares subject to selling restrictions.

II. The issuance and listing of securities

(I) Issuance of securities as of the end of the Reporting Period

Unit: Shares Currency: RMB

Types of shares and their derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be listed for trading	Ending date of the trading
Convertible corporate bonds, detachable convertible bonds, corporate bonds						
Corporate bonds	5 June 2013	4.68%	RMB4.0 billion	17 July 2013	RMB4.0 billion	5 June 2018
Corporate bonds	5 June 2013	5.10%	RMB6.0 billion	17 July 2013	RMB6.0 billion	5 June 2023
Corporate bonds	29 June 2015	4.20%	RMB6.6 billion	30 July 2015	RMB6.6 billion	29 June 2018
Corporate bonds	6 December 2016	3.57%	RMB3.5 billion	13 December 2016	RMB3.5billion	6 December 2019
Corporate bonds	6 December 2016	3.78%	RMB2.5 billion	13 December 2016	RMB2.5billion	6 December 2021
Corporate bonds	14 December 2016	3.79%	RMB5.0 billion	22 December 2016	RMB5.0 billion	14 December 2019
Corporate bonds	14 December 2016	3.97%	RMB3.0 billion	22 December 2016	RMB3.0 billion	14 December 2021
Subordinated bonds	18 April 2014	6.15%	RMB3.0 billion	6 May 2014	RMB3.0 billion	21 April 2016
Subordinated bonds	26 September 2014	5.90%	RMB4.0 billion	13 November 2014	RMB4.0 billion	29 September 2016
Subordinated bonds	22 January 2015	5.90%	RMB6.0 billion	10 March 2015	RMB6.0 billion	23 January 2017
Subordinated bonds	20 April 2015	5.60%	RMB7.0 billion	23 June 2015	RMB7.0 billion	21 April 2016
Subordinated bonds	20 April 2015	5.80%	RMB5.0 billion	23 June 2015	RMB5.0 billion	21 April 2020
Subordinated bonds	25 June 2015	5.50%	RMB18.0 billion	26 August 2015	RMB18.0 billion	26 June 2017
Subordinated bonds	22 July 2015	5.80%	RMB0.6 billion	10 September 2016	RMB0.6 billion	22 July 2016
Subordinated bonds	18 July 2016	3.94%	RMB0.6 billion	25 August 2016	RMB0.6 billion	18 July 2020
Subordinated bonds	14 October 2016	3.30%	RMB5.0 billion	2 November 2016	RMB5.0 billion	14 October 2021
Subordinated bonds	21 October 2016	3.12%	RMB3.0 billion	2 November 2016	RMB3.0 billion	21 October 2019

Information of the issuance of securities as of the end of the Reporting Period (for the bonds with different interest rates in the duration period, please explain otherwise):

1. Corporate bonds:

(1) Corporate bonds issued in previous years but still in the duration period:

On 5 June 2013, the Company publicly issued the 2013 corporate bonds of Huatai Securities to public investors with an amount of RMB10.0 billion at an issue price of RMB100 per bond, carrying 5-year and 10-year fixed rates. The amount of 5-year bonds came to RMB4.0 billion with 4.68% coupon rate, while the amount of 10-year bonds came to RMB6.0 billion with 5.10% coupon rate. Such bonds were listed for trading in Shanghai Stock Exchange on 17 July 2013. The abbreviation and code for 5-year bonds are 13 Huatai 01 (13 華泰 01) and 122261, and the amount of the bonds permitted to be listed for trading came to RMB4.0 billion with the trading ended on 5 June 2018; the abbreviation and code for 10-year bonds are 13 Huatai 02 (13 華泰 02) and 122262, and the amount of the bonds permitted to be listed for trading came to RMB6.0 billion with the trading ended on 5 June 2023.

On 29 June 2015, the Company publicly issued 3-year 2015 corporate bonds of Huatai Securities to qualified investors (first tranche). The amount of the said bonds came to RMB6.6 billion with 4.20% coupon rate. Such bonds were listed for trading on the Shanghai Stock Exchange on 30 July 2015. The abbreviation and code for such bonds are 15 Huatai G1 (15 華泰 G1) and 122388, and the amount of the bonds permitted to be listed for trading came to RMB6.6 billion with the trading ended on 29 June 2018.

(2) Corporate bonds issued during the Reporting Period:

With approval under the document Zheng Jian Xu Ke [2016] No.2577 from CSRC, the Company was permitted to publicly issue corporate bonds with par value no more than RMB14.0 billion to qualified investors.

On 6 December 2016, the Company publicly issued the 2016 corporate bonds of Huatai Securities to qualified investors (first tranche). The amount of the said bonds came to RMB6.0 billion at an issue price of RMB100 per bond, carrying 3-year and 5-year fixed rates. The amount of 3-year bonds came to RMB3.5 billion with 3.57% coupon rate, while the amount of 5-year bonds came to RMB2.5 billion with 3.78% coupon rate. Such bonds were listed for trading in Shanghai Stock Exchange on 13 December 2016. The abbreviation and code for 3-year bonds are 16 Huatai G1 (16 華泰 G1) and 136851, and the amount of the bonds permitted to be listed for trading came to RMB3.5 billion with the trading ended on 6 December 2019; the abbreviation and code for 5-year bonds are 16 Huatai G2 (16 華泰 G2) and 136852, and the amount of the bonds permitted to be listed for trading came to RMB2.5 billion with the trading ended on 6 December 2021.

On 14 December 2016, the Company publicly issued the 2016 corporate bonds of Huatai Securities to the qualified investors (second tranche). The amount of the said bonds came to RMB8.0 billion at an issue price of RMB100 per bond, carrying 3-year and 5-year fixed rates. The amount of 3-year bonds came to RMB5.0 billion with 3.79% coupon rate, while the amount of 5-year bonds came to RMB3.0 billion with 3.97% coupon rate. Such bonds were listed for trading in Shanghai Stock Exchange on 22 December 2016. The abbreviation and code for 3-year bonds are 16 Huatai G3 (16 華泰 G3) and 136873, and the amount of the bonds permitted to be listed for trading came to RMB5.0 billion with the trading ended on 14 December 2019; the abbreviation and code for 5-year bonds are 16 Huatai G4 (16 華泰 G4) and 136874, and the amount of the bonds permitted to be listed for trading came to RMB3.0 billion with the trading ended on 14 December 2021.

2. *Subordinated bonds*

(1) Subordinated bonds issued in previous years but still in the duration period

On 18 April 2014, the Company non-publicly issued the 2014 first tranche of subordinated bonds carrying 1-year and 2-year fixed rates with an aggregate amount of RMB6.0 billion. The final amount of 1-year bonds (the abbreviation and code of such bonds are 14 Huatai 01 (14 華泰 01) and 123380) which came to RMB3.0 billion with 5.95% coupon rate, and the principal together with the interests were repaid on 21 April 2015, while the final amount of 2-year bonds (the abbreviation and code of such bonds are 14 Huatai 02 (14 華泰 02) and 123381), came to RMB3.0 billion with 6.15% coupon rate, and the principal together with the interests were repaid on 21 April 2016.

On 26 September 2014, the Company non-publicly issued the 2014 second tranche of subordinated bonds with an amount of RMB6.0 billion. The final amount of 3-year bonds (with redemption option for the issuer at the end of the first year; the abbreviation and code of such bonds are 14 Huatai 03 (14 華泰 03) and 123343) which came to RMB2.0 billion with 5.70% coupon rate, and the principal together with the interests had been repaid on 29 September 2015, while the final amount of 4-year bonds (with redemption option for the issuer at the end of the second year; the abbreviation and code of such bonds are 14 Huatai 04 (14 華泰 04) and 123344) came to RMB4.0 billion with 5.90% coupon rate, and the principal together with the interests had been repaid on 29 September 2016.

On 22 January 2015, the Company non-publicly issued the 2015 first tranche of subordinated bonds (the abbreviation and code of such bonds are 15 Huatai 01 (15 華泰 01) and 123265) with an amount of RMB6.0 billion, carrying a two-year period and 5.90% coupon rate.

On 20 April 2015, the Company non-publicly issued the 2015 second tranche of subordinated bonds with an amount of RMB12.0 billion. The amount of 2-year bonds (with redemption option for the issuer at the end of the first year; the abbreviation and code of such bonds are 15 Huatai 02 (15 華泰 02) and 123099) came to RMB7.0 billion with 5.60% coupon rate, and the principal together with the interests were repaid on 21 April 2016, while the amount of 5-year bonds (with redemption option for the issuer at the end of the third year; the abbreviation and code of such bonds are 15 Huatai 03 (15 華泰 03) and 123100), came to RMB5.0 billion with 5.80% coupon rate.

On 25 June 2015, the Company non-publicly issued the 2015 third tranche of subordinated bonds (the abbreviation and code of such bonds are 15 Huatai 04 (15 華泰 04) and 125978) with an amount of RMB18.0 billion, two year of period and 5.50% coupon rate.

On 22 July 2015, Huatai Futures non-publicly issued the 2015 subordinated bonds of Huatai Futures Co, Ltd. (abbreviation of bond: 15 Huataiqi; bond code: 125917). The issuance size was RMB0.6 billion with a term of 4 years (with redemption option at the end of the first year) and a coupon rate of 5.80% (if it is not redeemed in the first year, the coupon rate will be 7.80% for the following three years), and the principal together with the interests were been repaid on 22 July 2016.

(2) Subordinated bonds issued during the Reporting Period

On 18 July 2016, Huatai Futures non-publicly issued the 2016 subordinated bonds (abbreviation: 16 Huataiqi; bond code: 135634) with an issuance amount of RMB0.6 billion with a term of 4 years with redemption option at the end of the first year and a coupon rate of 3.94% (if it is not redeemed in the first year, the coupon rate will be 5.94%).

On 14 October 2016, the Company non-publicly issued the 2016 first tranche of subordinated bonds (the abbreviation and code of such bonds are 16 Huatai C1 (16 華泰 C1) and 145029) with an amount of RMB5.0 billion with a term of five years with redemption option at the end of the third year and a coupon rate of 3.30%.

On 21 October 2016, the Company non-publicly issued the 2016 second tranche of subordinated bonds (the abbreviation and code of such bonds are 16 Huatai C2 (16 華泰 C2) and 145039) with an amount of RMB3.0 billion with a term of three years with redemption option at the end of the second year and a coupon rate of 3.12%.

3. Offshore bonds

On 8 October 2014, Huatai International Finance I Limited, a SPV, established in BVI by the Company's wholly-owned subsidiary Huatai Financial Holdings (Hong Kong) completed the first issuance of offshore bonds. The keep-well agreement and SLC of such bonds were provided by the Company and Bank of China Macao Branch respectively. Such bonds have an A1 (Moody's) credit rating with an amount of US$400 million, issued under Regulation S, and will be due on 8 October 2019. Such bonds carry a coupon rate of 3.625% that shall be paid semi-annually, and are issued at the price of 99.914/the interest rate of U.S. 5-year government bonds +185 basis points with an interest rate of 3.644%. The listing place is the Hong Kong Stock Exchange.

(II) Changes in the total number of ordinary shares of the Company and shareholder structure and the Company's assets and liabilities structure

During the Reporting Period, there were no changes in the sum of the Company's shares or in the shareholder structure caused by bonus shares, reserve capitalization, share allotment, additional issuance of new shares, non-public issuance of shares, warrants exercise, the implementation of any option incentive scheme, enterprise merger, equity conversion of convertible bonds, capital reduction, listing employee shares, issuing bonds or other reasons.

For changes in the Company's assets and liabilities structure, please refer to "Management Discussion and Analysis and Report of the Board" "II. Main operations during the Reporting Period" "III. Analysis of main items in Comprehensive Financial Condition Form".

(III) Information of the existing employee shares

The Company currently has no existing employee shares.

III Information of Shareholders and DE FACTO Controllers

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the Reporting Period	174,274
Total number of shareholders of ordinary shares at the end of last month prior to the date on which the annual results announcement shall be disclosed	169,419
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the date on which the annual results announcement shall be disclosed	0

Among shareholders of ordinary shares as at the end of the Reporting Period, shareholders of A shares came to 164,449 and registered shareholders of H Shares came to 9,825;

Among the total number of shareholders of ordinary shares at the end of last month prior to the date on which the annual results announcement shall be disclosed, shareholders of A Shares came to 159,686 and registered shareholders of H Shares came to 9,733.

(II) Shareholding of top ten shareholders and top ten holders of tradable shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: Shares

	Shareholding of top ten shareholders						
					Pledged or frozen shares		
Name of shareholder (in full name)	Increase/ Decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%))	Number of shares held subject to selling restrictions	Status of shares	Number of shares	Class of shareholder
HKSCC Nominees Limited	(161,112)	1,715,123,348	23.9450	0	Nil	-	Foreign legal person
Jiangsu Guoxin	0	1,250,928,425	17.4643	0	Nil	-	State-owned legal person
Communications Holding	(11,383,200)	440,632,218	6.1517	0	Nil	-	State-owned legal person
Govtor Capital Group Co., Ltd.	0	342,028,006	4.7751	0	Nil	-	State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	(47,380,927)	209,206,717	2.9208	0	Nil	-	State-owned legal person
Jiangsu High Hope International Group Co., Ltd.	(39,402,349)	203,444,947	2.8403	0	Nil	-	State-owned legal person
China Securities Finance Co., Ltd.	(44,150,546)	168,005,798	2.3455	0	Nil	-	unknown
Jiangsu Hiteker Co., Ltd.	(4,931,300)	132,471,849	1.8495	0	unknown	123,169,146	Domestic non-state-owned legal person
Central Huijin Assets Management Co., Ltd.	0	98,222,400	1.3713	0	Nil	-	unknown
Jiangsu SOHO International Group Corporation	(9,800,000)	86,880,000	1.2129	0	Nil	-	State-owned legal person

Shareholding of top ten holders of shares not subject to selling restrictions

		Class and number of shares	
Name of shareholder	Number of tradable shares not subject to selling restrictions	Class	Number
HKSCC Nominees Limited	1,715,123,348	Overseas listed foreign shares	1,715,123,348
Jiangsu Guoxin	1,250,928,425	Ordinary shares in RMB	1,250,928,425
Communications Holding	440,632,218	Ordinary shares in RMB	440,632,218
Govtor Capital Group Co., Ltd.	342,028,006	Ordinary shares in RMB	342,028,006
Jiangsu SOHO Holdings Group Co., Ltd.	209,206,717	Ordinary shares in RMB	209,206,717
Jiangsu High Hope International Group Co., Ltd.	203,444,947	Ordinary shares in RMB	203,444,947
China Securities Finance Co., Ltd.	168,005,798	Ordinary shares in RMB	168,005,798
Jiangsu Hiteker Co., Ltd.	132,471,849	Ordinary shares in RMB	132,471,849
Central Huijin Assets Management Co., Ltd.	98,222,400	Ordinary shares in RMB	98,222,400
Jiangsu SOHO International Group Corporation	86,880,000	Ordinary shares in RMB	86,880,000

Description of the connected relationships or action in concert between the above shareholders	Jiangsu Guoxin, Communications Holding, Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd. and Jiangsu Suhui Assets Management Co., Ltd. (the parent company of Jiangsu High Hope International Group Co., Ltd., with 67.41% shareholding) are wholly-owned by Jiangsu SASAC. Jiangsu SOHO Holdings Group Co., Ltd. is a controlling shareholder of Jiangsu SOHO International Group Corporation and holds 492,419,237 state-owned legal person shares, representing 71.58% of the total share capital of Jiangsu SOHO International Group Corporation and constituting parent-subsidiary relationship. Apart from the above, the Company is not aware of any connection between the other shareholders of the Company or whether such shareholders are parties acting in concert as specified in the Regulations on the Takeover of Listed Companies.
Explanation of holders of preferential shares with restored voting rights and number of shares held	No holders of preferential shares in the Company.

Notes: 1. Among holders of overseas listed foreign shares (H Shares), shares of non-registered shareholders are held by HKSCC Nominees Limited.

2. The class of shareholders of ordinary shares in RMB (A shares) represents the class of account held by shareholders with Shanghai branch of China Securities Depository and Clearing Corporation Limited.

IV. Controlling shareholders and DE FACTO Controllers

(I) Controlling shareholders

1 No Special explanation on controlling shareholders of the Company

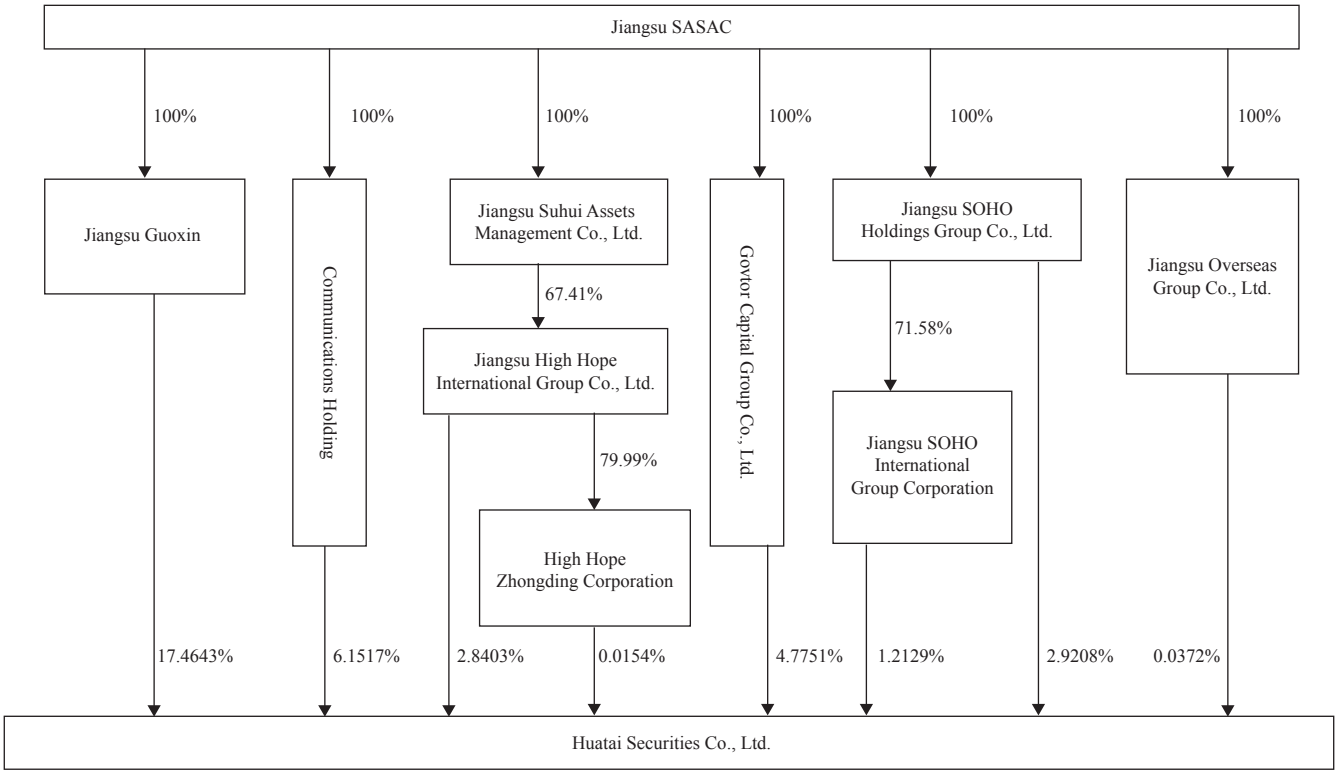
There are no controlling shareholders with more than 50% shareholding of the Company.

(II) De facto controllers

1 Legal person

Name	Jiangsu SASAC
Person in charge of the unit or legal representative	Xu Guoping

2 Framework of the ownership and controlling relationship between the Company and the de facto controllers



V. Other Legal-Person Shareholders with More than 10% Shareholding

Unit: Billion Yuan Currency: RMB

Name of legal-person shareholder	Person in charge of the unit or legal representative	Time of establishment	Code of the organization	Registered capital	Main business or managed activities
Jiangsu Guoxin	Zhu Kejiang	22 February 2002	91320000735724800G	20	State-owned assets operation, management, transfer, investment, enterprise trusteeship, assets restructuring authorized by the provincial government and other businesses upon approval, house-renting.

Remarks Shares held by HKSCC Nominees Limited are owned by the non-registered shareholders of H Shares.

VI. Information of the Restrictions on Shareholding Reduction

During the Reporting Period, the Company did not have any restrictions on shareholding reduction.

VII. Substantial Shareholders' and Other Persons' interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, as far as the Directors of the Company are aware after having made all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company) held interests or short positions in the shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under section 336 of the SFO.

No.	Name of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 2)/short position (Note 3) shares available for lending
1	Jiangsu Guoxin	A shares	Beneficial owner (Note 1)	1,250,928,425	17.46	22.98	Long position
2	Communications Holding	A shares	Beneficial owner (Note 1)	440,632,218	6.15	8.09	Long position
3	Govtor Capital Group Co., Ltd.	A shares	Beneficial owner (Note 1)	342,028,006	4.78	6.28	Long position
4	Jiangsu SOHO Holdings Group Co., Ltd.	A shares	Beneficial owner (Note 1)	209,206,717	2.92	3.84	Long position
		A shares	Interest in a controlled corporation (Note 4)	86,880,000	1.21	1.60	Long position
5	NSSF	H Shares	Beneficial owner (Note 1)	142,346,200	1.99	8.28	Long position
6	BlackRock, Inc.	H Shares	Interest in a controlled corporation (Note 1)	102,208,924	1.28	5.35	Long position
		H Shares	Interest in a controlled corporation (Note 1)	234,000	0.00	0.01	Short position

Note 1: According to the information disclosed on the websites of the Hong Kong Stock Exchange (www.hkex.com.hk) and China Securities Depository and Clearing Co., Ltd (www.chinaclear.cn/), as at 31 December 2016, Jiangsu Guoxin held 1,250,928,425 A shares, Communications Holding Limited held 440,632,218 A shares, Govtor Capital Group Co., Ltd. held 342,028,006 A shares, Jiangsu SOHO Holdings Group Co., Ltd. held 209,206,717 A shares and NSSF held 142,346,200 H Shares. Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the shareholding information as reported to Stock Exchange;

Note 2: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to take the underlying shares; (ii) such shareholder is under an obligation to take 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 a loss if the price of the underlying shares increases; and

Note 3: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to take 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 a loss if the price of the underlying shares declines

Note 4: Jiangsu SOHO Holdings Group Co., Ltd. held 71.58% of the equity interest of Jiangsu SOHO International Group Corporation, and therefore was deemed to be interested in 86,880,000 shares in which Jiangsu SOHO International Group Corporation was interested.

Save as disclosed above, the Company is 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 as at 31 December 2016 required to be recorded in the register pursuant to Section 336 of the SFO.

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

As at 31 December 2016, according to the information obtained by the Company and so far as the Directors are aware, interests and short positions held by Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 347 of Part XV of the SFO, were as follows:

No.	Name	Class of shares	Nature of interest	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued A shares/ H Shares of the Company (%)	Long position/ short position/ shares available for lending
1	Zhou Yi	H Shares	Beneficiary of the trust (Note 1)	353,261	0.005	0.02	Long position

Note 1: In July 2015, due to the significant fluctuation in share price of the Company, H Shares of the Company were purchased through the targeted asset management scheme for qualified domestic institutional investors (QDII) in compliance with the relevant laws and regulations so as to actively help to maintain the stability of the capital market.

Save as disclosed above, the Company was not aware of any other Directors, Supervisors and the chief executive of the Company having any interests and short positions (including interests or short positions which had been taken or deemed to have been under such provisions of SFO) in the shares or underlying shares or debentures of the Company or its associated corporations on 31 December 2016, 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, or required to be recorded in the register under the provision of Section 352 of the SFO, or shall be notified to the Company and the Hong Kong Stock Exchange under the provision of the Model Code.

IX. Repurchase, Sale, Redemption of the Listing Securities of the Company and Its Subsidiaries

During the Reporting Period, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any listed securities of the Company and its subsidiaries.

Preferential Shares

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

Arrangement to purchase shares and debentures

At no time during the Reporting Period was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement that enabled the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or other body corporate.

Directors, Supervisors, Senior Management and Staff

I. Changes in Shareholding Structure and Remuneration

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

Unit: Shares

Name	Position (note)	Gender	Age	Start of the term of office	Expiration of the term of office	Shares held at the start of the year	Shares held at the end of the year	Changes in shareholding during the year	Causes for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand)	Whether received remuneration from any connected party of the Company or not
Zhou Yi	Chairman Executive Director & president	Male	47	2016.06.20 2007.12.06	2019.12.20 2019.12.20	0	0	0		133.68	No
Sun Lu	Non-executive Director	Male	61	2014.09.16	2016.06.07	0	0	0		0	Yes
Pu Baoying	Non-executive Director	Female	53	2013.11.29	2019.12.20	0	0	0		0	Yes
Wang Shuhua	Non-executive Director	Male	49	2007.12.06	2016.06.07	0	0	0		0	Yes
Gao Xu	Non-executive Director	Male	52	2016.06.07	2019.12.20	0	0	0		0	Yes
Chen Ning	Non-executive Director	Male	42	2016.06.07	2019.12.20	0	0	0		0	Yes
Sun Hongning	Non-executive Director	Male	55	2007.12.06	2019.12.20	0	0	0		0	Yes
Zhou Yong	Non-executive Director	Male	50	2015.01.21	2019.12.20	0	0	0		0	Yes
Cai Biao	Non-executive Director	Male	54	2007.12.06	2016.12.21	0	0	0		0	Yes
Xu Min	Non-executive Director	Female	46	2015.10.09	2016.06.07	0	0	0		0	Yes
Xu Qing	Non-executive Director	Male	44	2016.06.07	2019.12.20	0	0	0		0	Yes
Bai Wei	Independent non-executive Director	Male	52	2010.12.17	2016.12.21	0	0	0		12	No
Shen Kunrong	Independent non-executive Director	Male	53	2013.11.29	2016.03.18	0	0	0		0	No
Chen Chuanming	Independent non-executive Director	Male	59	2016.03.18	2019.12.20	0	0	0		10	No
Liu Hongzhong	Independent non-executive Director	Male	51	2013.11.29	2019.12.20	0	0	0		12	No
Lee Chi Ming	Independent non-executive Director	Male	63	2015.04.30	2019.12.20	0	0	0		12	No
Chen Zhibin	Independent non-executive Director	Male	51	2015.10.09	2016.04.05	0	0	0		0	No
Yang Xiongsheng	Independent non-executive Director	Male	56	2016.04.05	2019.12.20	0	0	0		9	No

Name	Position (note)	Gender	Age	Start of the term of office	Expiration of the term of office	Shares held at the start of the year	Shares held at the end of the year	Changes in shareholding during the year	Causes for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten Thousand)	Whether received remuneration from any connected party of the Company or not
Liu Yan	Independent non-executive Director	Female	43	2016.12.21	2019.12.20	0	0	0		0	No
Yu Yimin	Chairman of Board of Supervisors	Male	48	2008.02.22	2019.12.20	0	0	0		0	Yes
Gao Xu	Supervisor	Male	52	2013.11.29	2016.06.07	0	0	0		0	Yes
Wang Huiqing	Supervisor	Male	46	2016.06.07	2019.12.20	0	0	0		0	Yes
Du Wenyi	Supervisor	Male	53	2010.12.17	2019.12.20	0	0	0		0	Yes
Song Weibin	Supervisor	Male	52	2013.11.29	2016.12.21	0	0	0		0	Yes
Liu Zhihong	Supervisor	Female	43	2015.10.09	2019.12.20	0	0	0		0	Yes
Dong Junzheng	Supervisor	Female	44	2013.11.29	2016.03.25	0	0	0		0	Yes
Peng Min	Employee Supervisor	Female	52	2013.11.29	2019.12.20	0	0	0		502.55	No
Zhou Xiang	Employee Supervisor	Male	53	2013.03.19	2019.12.20	0	0	0		479.29	No
Zhang Hui	Employee Supervisor	Male	41	2013.11.29	2016.12.21	0	0	0		464.13	No
Meng Qinglin	Employee Supervisor	Male	48	2016.12.21	2019.12.20	0	0	0		228.92	No
Zhang Haibo	Vice President	Male	53	2007.12.06	2019.12.20	0	0	0		92.59	No
Ma Zhaoming	Vice President	Male	53	2013.06.21	2019.12.20	0	0	0		89.19	No
Qi Liang	Vice President	Male	53	2007.12.06	2016.03.22	0	0	0		0	Yes
Sun Hanlin	Vice President	Male	51	2007.12.06	2019.12.20	0	0	0		93.53	No
Wu Zufang	Vice President	Male	53	2007.12.06	2019.12.20	0	0	0		88.12	No
Zhang Tao	Vice President	Male	44	2007.12.06	2017.01.10	0	0	0		85.01	No
Jiang Jian	Vice President & Secretary to the Board of Directors	Male	50	2007.12.06	2019.12.20	0	0	0		89.78	No
Shu Ben'e	Chief financial officer	Female	52	2007.12.06	2019.12.20	0	0	0		420.16	No
Li Yun	Chief compliance officer & general counsel	Female	44	2012.06.14	2019.12.20	0	0	0		390.52	No
	Chief risk officer			2014.08.28	2016.12.20						
Wang Chong	Chief risk officer	Male	44	2017.03.16	2019.12.20	0	0	0		475.65	No
Total	/	/	/	/	/	0	0	0	/	3,688.12	/

Note: Total pre-tax remuneration received from the Company during the Reporting Period excluded the contribution of pension scheme.

Name	Primary work experience
Zhou Yi	Bachelor in computer communications. Mr. Zhou once taught at Jiangsu Posts & Telecommunications School (江蘇省郵電學校) and worked on technology management in the telecommunications center of Jiangsu Posts & Telecommunications Bureau (江蘇省郵電管理局電信中心) and administrative management at Jiangsu Mobile Communication Co., Ltd. (江蘇移動通信有限公司). He served as the chairman of the board of directors at Jiangsu Beier Co., Ltd. (江蘇貝爾有限公司) and Nanjing Xinwang Tech Co., Ltd. (南京欣網視訊科技股份有限公司), the deputy general manager of Shanghai Beier Fortune Communications Company (上海貝爾富欣通信公司), the president of Huatai Securities Limited Liability Company from February 2007 to December 2007, and the director of the same company from September 2007 to December 2007. Mr. Zhou served as the Director, president and deputy party secretary of the Company from December 2007 to October 2011, and the Director, president, and party secretary of the Company from September 2011 to June 2016, has been the chairman of the Board of Directors, president, and party secretary of the Company since June 2016, and with a term of office in this session of Board as the chairman and the president of the Company from December 2016 to December 2019.
Pu Baoying	Master, senior accountant. Ms. Pu once served as the accountant and deputy chief of Jiangsu Building Material Industry Research Institute (江蘇省建材工業研究所), the deputy chief and chief of the financial section of Jiangsu Building Material Research and Design Institute (江蘇省建材研究設計院), the assistant to the section chief and the deputy section chief of the accounting and audit department of Jiangsu Building Material Industry Co., Ltd. (江蘇省建材工業總公司), the deputy department chief of the Planning and Finance Department of Nanjing Lukou International Airport (南京祿口國際機場), manager of the finance department of Nanjing Airport Development Co., Ltd. (南京空港發展股份有限公司), the manager of the audit and legal department of Jiangsu State-owned Assets Operation (Holding) Co., Ltd. (江蘇省國有資產經營(控股)有限公司), and general manager of the audit and legal department of Jiangsu Guoxin Assets Management Group Limited (江蘇省國信資產管理集團有限公司). She was the general manager of the finance department of Jiangsu Guoxin Assets Management Group Limited from December 2013 to March 2015, and has been the chief accountant and party committee member thereof since March 2015. She worked as a Supervisor of the Company from December 2007 to November 2013, and has been a Director of the Company since November 2013 with a term of office in this session of Board from December 2016 to December 2019.

Name	Primary work experience
Gao Xu	Bachelor, senior accountant. Mr. Gao was a staff member and then section chief of Nanjing Qixia Commission of Planning and Economics, and staff member, senior staff member, deputy section chief and section chief of the General Section, deputy division chief of the General Division of Jiangsu Administrative Bureau of State-owned Property (江蘇省國資局). He also used to serve as the deputy division chief of the Division of Statistics and Evaluation of the Department of Finance of Jiangsu Province and the manager of the asset management department of Jiangsu State-owned Assets Operation (Holding) Co., Ltd.. He has been the general manager in the asset management department of Jiangsu Guoxin since February 2007 and the general manager of the audit and legal affairs department since December 2016. He was a supervisor of the Company from November 2013 to June 2016 and a Director of the Company since June 2016 with a term of office in this session of Board from December 2016 to December 2019.
Chen Ning	Bachelor, senior accountant. Mr. Chen successively worked at the steam workshop of Yangzi Petrochemical Refinery (揚子石化煉油廠) from July 1994 to February 1996; served as the accountant of the finance section of Yangzi Petrochemical Refinery from February 1996 to February 2003, the accountant of cost section, deputy section chief, deputy chief accountant of the finance department, the deputy department chief of the technology development and information management department and the deputy director of ERP Support Center of Yangzi Petrochemical Co., Ltd. (揚子石化股份公司) from February 2003 to October 2012, the deputy department chief of the finance department of Yangzi Petrochemical Ltd. and the department chief of the finance department of Yangzi Petrochemical Co. Ltd. (Nanjing) (南京揚子石化有限責任公司) from October 2012 to June 2015, the deputy general manager, the general manager of the IT department of Jiangsu Guoxin since June 2015, the general manager of the financial department since December 2016, and director of the Company since June 2016 with a term of office in this session of Board from December 2016 to December 2019.

Name	Primary work experience
Sun Hongning	MBA. Mr. Sun once served as the secretary and deputy director of the Propaganda Department of Jiangsu Secrets Protection Bureau (江蘇省保密局), the secretary to the secretariat and reception center of the general office of Jiangsu Provincial Party Committee, the assistant to general manager of Communications Holding and has been the director, deputy general manager and party committee member of Communications Holding since May 2003. Mr. Sun has been the Director of the Company since December 2007 with a term of office in this session of Board from December 2016 to December 2019.
Zhou Yong	Doctoral post graduate, principal senior economist, researcher, and senior international business engineer. Mr. Zhou served as an assistant engineer of East China Optical Instrument Plant (華東光學儀器廠) from July 1987 to July 1992 and the preparation team member and deputy general manager of Nanjing Petroleum Exchange Co., Ltd. (南京石油交易所有限公司) from July 1992 to September 1995, the assistant to general manager of Jiangsu Suwu Futures Brokerage Co., Ltd. (江蘇蘇物期貨經紀有限公司) from September 1995 to April 1998, staff of Jiangsu Arts & Crafts Import and Export Corporation (江蘇省工藝品進出口集團股份有限公司) from April 1998 to May 1998 and then the deputy manager of the securities department thereof from May 1998 to February 1999, the general manager of Jiangsu Holly International Investment Management Co., Ltd. (江蘇弘業國際集團投資管理有限公司) and the manager of the securities department of Jiangsu Arts & Crafts Import and Export Corporation from February 1999 to February 2000, the general manager of Jiangsu Holly International Investment Management Co., Ltd. and the general manager of Jiangsu Holly Futures Brokerage Co., Ltd. from February 2000 to January 2001, the general manager of Jiangsu Holly International Investment Management Co., Ltd., the chairman and the general manager of Jiangsu Holly Futures Brokerage Co., Ltd. From January 2001 to June 2006, the vice president and a member of the party committee of Jiangsu Holly International Group Co., Ltd. from June 2006 to July 2010, the vice president and a member of the party committee of Jiangsu Silk Group Co., Ltd. (changed its name to Jiangsu SOHO Holding Group Co., Ltd. in August 2011) from July 2010 to May 2013, the president, the deputy secretary of the party committee, and the director of Jiangsu SOHO Holding Group Co., Ltd. since May 2013. He has been the Director of the Company since January 2015 with a term of office in this session of Board from December 2016 to December 2019.

Name	Primary work experience
Xu Qing	MBA, economist. Mr. Xu served as a technician and assistant engineer of Jiangsu Communications Cable Plant (江蘇省通信電纜廠) from August 1993 to November 1998; he subsequently worked as a deputy department chief of the securities investment department, deputy director of the president office, assistant to the general manager of the operations department and executive director of Jiangsu Hiteker Co., Ltd. from November 1998 to February 2006; he served as the secretary to the board, director of the group office, director of the party committee office, assistant to the president, general manager of the legal affairs department, general counsel, general manager of the investment management department and vice president subsequently in Govtor Capital Group Co., Ltd. since February 2006. He has served as the Director of the Company since June 2016 with a term of office in this session of Board from December 2016 to December 2019.
Chen Chuanming	Doctor in Economics, professor. In 1978, Mr. Chen was selected by the Ministry of Education of China to study social and economic management at University of Brittany in France. He was assigned to work in the Institute of World Economics and Politics of Chinese Academy of Social Sciences after returning to China in 1981. He taught in Nanjing University since December 1982, during which he studied for the Doctoral degree in economics at the School of Economics of Nankai University from September 1990 to June 1993, and currently he is the professor of Nanjing University Business School, and the vice chairman of Chinese Institute of Business Administration and Jiangsu Association of Science and Technology Innovation. He has served as the independent non-executive Director of the Company since March 2016 with a term of office in this session of Board from December 2016 to December 2019.
Liu Hongzhong	Doctor in International Finance. Mr. Liu once worked as a lecturer, an associate professor and the dean of the Departments of World Economics and Finance of Fudan University, and has been the professor of the Department of Finance of Fudan University since May 1999. He has been an independent non-executive Director in the Company since November 2013 with a term of office in this session of Board from December 2016 to December 2019.

Name	Primary work experience
Lee Chi Ming	MBA. Mr. Lee served as the assistant director and then the director of tax assessment at Inland Revenue Department of the Government of Hong Kong from October 1976 to November 1989, and the senior manager/ supervisor of Licensing department, director of Corporate Planning, and director of Finance and Administration of the SFC from July 1989 to July 2014. He has been the chief partner of Boningdun Capital Management Limited (柏寧頓資本管理有限公司) since October 2014, and an independent non-executive Director in the Company since April 2015 with a term of office in this session of the Board from December 2016 to December 2019.
Yang Xiongsheng	Doctor, professor. Mr. Yang was a teacher and the office chief of the Business Administration Teaching and Research Office of Jiangsu Lianyungang Finance School from January 1981 to December 1986 and served as the staff and the deputy chief of Jiangsu Lianyungang Municipal Audit Bureau (江蘇省連雲港市審計局) from February 1987 to November 1994. He taught at the Accounting Department of Nanjing University from November 1994 to March 1999 and was the professor of the School of Accounting of Nanjing University from March 1999 to December 1999 and the professor and dean of the Accounting Department of International Business School of Nanjing University from December 1999 to March 2009. He has served as the dean of the Accounting and Finance School of Nanjing University since March 2009. He has been an independent non-executive Director of the Company since April 2016 with a term of office in this session of the Board from December 2016 to December 2019.
Liu Yan	Bachelor in laws, master in civil and commercial laws, master in laws of School of Law of New York University in the United States and a qualified lawyer in China and the United States (New York State). Ms. Liu joined Beijing Tian Yuan Law Firm in 1995 and became its partner in 2002. She has been an independent non-executive Director of the Company since December 2016 with a term of office from December 2016 to December 2019.

Name	Primary work experience
Yu Yimin	Master in economics, master in public administration, senior international business engineer. Mr. Yu served as a staff in the planning department in the headquarters of Nanjing Pharmaceutical Company (南京市醫藥總公司) from August 1990 to November 1994, and a staff in the research and development department, the director of the economic and securities analysis and research center, and the deputy general manager in the securities management department in the headquarters of investment bank of Jiangsu Securities Co., Ltd. from November 1994 to August 1999. He was the general manager of the entrusted asset management department and the fixed income department of Huatai Securities Limited Liability Company from August 1999 to September 2004. Mr. Yu has been the vice president and a member of the party committee of Jiangsu SOHO Holdings Group Co., Ltd. (named Jiangsu Silk Group Co., Ltd. before August 2011) since September 2004, a supervisor of Huatai Securities Limited Liability Company from September 2007 to December 2007, and a supervisor of the Company from 2007 to February 2008. Since February 2008, he has been serving as the chairman of the Board of Supervisors of the Company, with a term of office in this session of Board of Supervisors from December 2016 to December 2019.
Wang Huiqing	Master, certified public account, and a qualified lawyer. Mr. Wang served as a staff member of the Department of Finance of Jiangsu Province from August 1992 to May 2001; from May 2001 to August 2004, he worked as a senior staff member of Jiangsu Administration for Industry and Commerce; he was a section chief of Jiangsu SASAC from September 2004 to September 2009; he worked as the deputy general manager of the audit department of Jiangsu International Trust Corporation Limited from September 2009 to January 2010; he served as the deputy general manager of the finance department of Jiangsu International Trust Corporation Limited from January 2010 to February 2013; he served as the general manager of the finance department of Jiangsu International Trust Corporation Limited from February 2013 to December 2013; he was the deputy general manager of the audit and legal affairs department of Jiangsu Guoxin (in charge) from December 2013 to December 2014; he was the general manager of the audit and legal affairs department of Jiangsu Guoxin from December 2014 to December 2016; and he served as the deputy general manager and the secretary to the board of directors of Jiangsu Sainty Marine Corporation., Ltd. (江蘇舜天船舶股份有限公司) since December 2016. Mr. Wang has been a supervisor of the Company since June 2016, with a term of office in this session of Board of Supervisors from December 2016 to December 2019.

Name	Primary work experience
Du Wenyi	Bachelor, senior economist. Mr. Du worked in the teaching and research office of finance and accounting of Nanjing Communications Institute of Technology (南京交通學校) from July 1983 to February 1987, served as the deputy head and then the head of the financial planning office of Jiangsu Transportation Planning and Designing Institute from February 1987 to September 2000, the deputy director chief of the finance and auditing division of Communications Holding from September 2000 to November 2001, and later the deputy director and then the director of the finance and auditing division of Jiangsu Communications Holding Group Finance Co., Ltd (江蘇交通產業集團有限公司)from November 2001 to October 2004. He held the positions of deputy general manager of Jiangsu Expressway Company Limited (江蘇京滬高速公路有限公司) from October 2004 to October 2007. He successively served as the department chief of the finance and audit department, the deputy chief accountant, the department chief of the finance and audit department, the deputy chief accountant, the department chief of the finance department, the deputy chief accountant, and the department chief of the finance management department of Communications Holding since November 2007. Mr. Du has been a supervisor of the Company since December 2010, and with a term of office in this session of Board of Supervisors from December 2016 to December 2019.
Liu Zhihong	Bachelor, accountant. Ms. Liu served as the accountant in the finance department of Dongfeng Motor Nanjing Sales and Technology Service Cooperation (東風汽車南京銷售技術服務聯合公司) from August 1996 to July 1999, the accountant in the finance department of Jiangsu Province Informationalization Construction Investment Co., Ltd. (江蘇省信息化建設投資有限公司) from August 1999 to May 2005, and an employee of the audit department and the deputy general manager of the finance department of Jiangsu Govtor Capital since June 2005. She has been the supervisor of the Company since October 2015 with a term of office in this session of Board of Supervisors from December 2016 to December 2019.

Name	Primary work experience
Peng Min	Bachelor, economist. Ms. Peng once served as the secretary and deputy manager of the sales department of Jiangsu Metallurgical Supply and Marketing Cooperation (江蘇省冶金物資供銷公司), an employee of the entrusted asset department and the fixed income department, secretary and deputy head of the president's office in Huatai Securities Limited Liability Company. She has been the deputy director and then the director of the Company's general office and the chairman of our labor union in succession since December 2007. She has been the employee representative supervisor of the Company since November 2013 with a term of office in this session of Board of Supervisors from December 2016 to December 2019.
Zhou Xiang	MBA, accountant. Mr. Zhou was once an employee of Nanjing Supply and Marketing Cooperative (南京市供銷社). He worked for Huatai Securities Limited Liability Company as the general manager of the capital planning department, the general manager of the Nanjing Changjiang Road Branch, the deputy manager of the asset management head office, and the general manager of the Nanjing Zhongshan North Road No. 2 Branch and the office chief of development and planning implementation leading team. Later, he served as the general manager of finance planning department and the chief financial officer of Huatai United Securities from August 2006 to June 2012, the general manager of the inspection department of the Company from June 2012 to April 2016, and the general manager of the legal compliance department of the Company since April 2016. He has been the employee representative supervisor of the Company since March 2013, with a term of office in this session of Board of Supervisors from December 2016 to December 2019.
Meng Qinglin	Bachelor, economist. Mr. Meng was once an employee of Xuzhou Construction Machinery Group Co., Ltd. (徐州工程機械集團). He successively served as assistant to general manager, deputy general manager and general manager of sales department of Huatai Securities. He was the general manager of our corporate business department from April 2011 to April 2012 and general manager of our Shanghai Branch from April 2012 to April 2016. He has been the general manager of brokerage business head office since April 2016 and the employee supervisor of the Company since December 2016 with a term of office in this session of Board of Supervisors from December 2016 to December 2019.

Name	Primary work experience
Zhang Haibo	MBA. Mr. Zhang once worked as a staff member, senior staff member and then principal member and assistant researcher of the Agriculture and Industry Department of Jiangsu Provincial Committee of the Communist Party, the secretary at the deputy division level and investigator of the Agriculture Division of the General Office of Jiangsu Government, and the assistant to the president of Jiangsu Securities Company. He was the assistant to the president and the general manager of the investment banking department, the chief inspector of investment banking business, the general manager of investment banking business at the head office, the vice president and the party committee member of Huatai Securities Limited Liability Company where he has been the vice president and party committee member since December 2007. His current term of office is from December 2016 to December 2019.
Ma Zhaoming	Bachelor, senior accountant. Mr. Ma was once an accountant of No. 898 Factory of the Ministry of Electronics Industry, the deputy chief and then chief of the finance section of its ceramics branch. He worked at Jiangsu Securities Company as the deputy manager of the planning and finance department and the director of the planning and finance division, then the director of the planning and finance division and the head of inspection office, and later the deputy chief accountant and the director of the planning and finance division and vice president. He served as the vice president and the party committee member of Huatai Securities Limited Liability Company, the chairman of Huatai United Securities Co., Ltd. He has been the vice president and the party committee member of Huatai Securities since June 2013 with the current term of office from December 2016 to December 2019.
Sun Hanlin	Bachelor in Business Administration/EMBA. Mr. Sun once worked as the clerk, officer and deputy chief of the cadre section of human resources division of the Jiangsu Branch of PBOC, the executive deputy chief and the chief of the human resources division of Jiangsu Securities Company, the chief of the human resources division, chief of the organization department, general manager of the human resources department, secretary of the discipline inspection commission, chief inspection officer, member of the party committee and vice president of Huatai Securities Limited Liability Company. He was the vice-president, secretary of the discipline inspection commission and member of the party committee of the Company from December 2007 to December 2015. He has been the vice-president and member of the party committee of the Company since December 2015 with current term of office from December 2016 to December 2019.

Name	Primary work experience
Wu Zufang	MBA. Mr. Wu used to work as a teacher in the mathematics department at Nanjing University, a staff member of the Policy Research Office of Jiangsu Commission of Planning and Economics, the business supervisor, head of issuance and transaction department, deputy general manager and general manager of stock affair department, the deputy general manager, general manager and then chairman and general manager of the subsidiary, the assistant to the president, the chief inspection officer of asset management business and general manager of asset management at the head office, the chief economist, vice president and party committee member of Jiangsu Securities Company. He has been the vice president and party committee member of the Company since December 2007 with the current term of office from December 2016 to December 2019.
Zhang Tao	Doctor in Technical Economics and Management. Mr. Zhang once worked at Jiangsu Securities Company as the secretary to the president at the president's office, business manager of investment banking No. 1 department, deputy director of the Fuzhou representative office, deputy general manager of investment banking business department of Shanghai head office, deputy general manager of Shenzhen head office and general manager of Shenzhen Caitian Road branch, secretary of the board of directors, assistant to the president and director of the board office, vice president and party committee member. He was the vice president and party committee member of the Company from December 2007 to January 2017.
Jiang Jian	Master in Economics and Management. Mr. Jiang once taught at Nanjing Agricultural University. He worked at Jiangsu Securities Company as the employee and chief of the training and education section of the Human Resources division, deputy general manager of the stock affairs department under the investment banking head office, deputy general manager and senior manager of the investment banking No. 1 department, deputy general manager of the investment banking head office (concurrently acting as the manager of the issuance department), general manager of the asset management head office, general manager of the Nanjing investment banking business department, director of the investment banking business and general manager of Nanjing head office, assistant to the president and general manager of Shanghai head office, assistant to the president and secretary to the board of directors, assistant to the president and general manager of institution customer service departments, vice president and secretary to the board of directors, party committee member. He has been the vice president, secretary to the Board of Directors, party committee member of the Company since December 2007 with the current term of office from December 2016 to December 2019.

Name	Primary work experience
Shu Ben'e	Bachelor, CPA. Ms. Shu was once the chief of finance division of Panda Electronics Group Co., Ltd. (熊貓電子集團公司), the deputy general manager of the planning and capital department of Jiangsu Securities Company. She worked at Huatai Securities Limited Liability Company as the deputy general manager of the capital planning department, the deputy general manager, executive deputy general manager and then general manager of the inspection and supervision department, and the general manager of the finance planning department. She was the general manager of the finance planning department from December 2007 to April 2016. She has been the chief financial officer of the Company since March 2012 with the current term of office from December 2016 to December 2019.
Li Yun	Master, economist. Ms. Li was once the principal member at the office of Nanjing Securities and Futures Commission, and the principal member of Nanjing Commissioner Office, principal member of the verification division of institution supervision department, deputy chief of the institution division of Jiangsu Securities Regulatory Bureau, and deputy chief and investigator of the No. 2 Division of Shanghai Commissioner Office of the CSRC. She has been the chief compliance officer of the Company since June 2012. She served as our chief compliance officer (concurrently acting as the general manager of the compliance and risk management department) from July 2012 to December 2014. She concurrently worked in the office as the chief risk officer from August 2014 to December 2016. She served as the general manager of the compliance and legal department of the Company from December 2014 to April 2016. Ms. Li is the chief compliance officer and general legal counsel of the Company with the current term of office from December 2016 to December 2019.
Wang Chong	Master. Mr. Wang was the principal staff of the treasury department/ global finance marketing department of Bank of China Limited from July 1995 to March 2003, and middle office chief of internal risk control for European treasury operations in London Branch of Bank of China Limited from March 2003 to May 2007. He also served as the team leader of interest rate derivative product and fixed income risks in J.P. Morgan Securities from June 2007 to January 2010 and the risk compliance officer of China International Capital Corporation (UK) Limited (中國國際金融有限公司 (英國)) from January 2010 to November 2014. He has been the general manager of risk management department of Huatai Securities Co., Ltd. since December 2014. He has been the chief risk officer of the Company since 16 March 2017 with current term of office from December 2016 to December 2019.

Explanation of Other information:

1. On 21 December 2015, independent non-executive Director Mr. Chen Zhibin submitted his resignation as independent non-executive Director of the third session of the Board and a member of Audit Committee under the Board in accordance with relevant regulations. However, since the resignation of Mr. Chen Zhibin would cause the number of independent non-executive Directors of the Company less than one third of the Board members, according to the requirements of relevant laws and regulations and the Articles of Association, the application of resignation of Mr. Chen Zhibin shall come into effect after successive independent non-executive Directors fill in his positions. On 18 March 2016, the first extraordinary general meeting ("EGM") of the Company in 2016 considered and approved the resolution regarding the election of independent non-executive Director, and the meeting voted Mr. Yang Xiongsheng as independent non-executive Director of the third session of the Board. On 5 April 2016, the Company received the "Approval Concerning the Appointment of Yang Xiongsheng as an Independent Non-executive Director of a Securities Company (Su Zheng Jian Ji Gou Zi [2016] No. 73)" by Jiangsu Securities Regulatory Bureau. According to relevant rules and the resolution of the first EGM of the Company in 2016, Mr. Yang Xiongsheng will replace Mr. Chen Zhibin to serve as independent non-executive Director of the third session of the Board from the date of resolution. During the Reporting Period, Mr. Chen Zhibin performed his duty to 5 April 2016 in effect. In January 2017, the Company compensated RMB30 thousand (the total amount before income tax) to Mr. Chen Zhibin as independent non-executive Director allowance for the period of performance in effect during the Reporting Period.

2. The first meeting of the fourth session of the Board approved the resolution regarding the Appointment of Senior Management of the Company, where the Board agreed to appoint Wang Chong as Chief Risk Officer of the Company according to the nomination by President Zhou Yi. Mr. Wang Chong will officially take the office of chief risk officer of the Company after applying for and obtaining his qualification as a Manager-level Member of Senior Management of a Securities Company.

3. During the Reporting Period, Mr. Qi Liang, the former deputy president of the Company received remuneration from Huatai-PineBridge Investments, a joint-stock Company of the Company before his resignation as deputy president of the Company.

4. During the Reporting Period, Directors, Supervisors and the senior management of the Company did not hold any share and option of the Company.

5. During the Reporting Period, the Company did not carry out any option incentive scheme for Directors, Supervisors and the senior management of the Company. Directors, supervisors and the senior management of the Company did not hold any option of the Company.

6. During the Reporting Period, no current or retired Director, Supervisor and senior management was punished by any securities regulatory authority in the past three years.

(II) Option incentive conferred to Directors, Supervisors and Senior Management Officers during the Reporting Period

During the Reporting Period, situation which the Company conferred option incentive to Directors, Supervisors and senior management officers did not exist.

II. Employment of Directors, Supervisors and Senior Management officers

(I) Employment at the shareholder of the Company

Name of employee	Name of shareholder of the Company	Position	Start of the term of office	Expiration of the term of office
Pu Baoying	Jiangsu Guoxin	General accountant	25 March 2015	Up to now
Gao Xu	Jiangsu Guoxin	General manager of asset management department	1 February 2007	Up to now
		General manager of audit and legal affairs department	5 December 2016	Up to now
Chen Ning	Jiangsu Guoxin	General manager of information technology department	22 December 2015	Up to now
		General manager of finance department	5 December 2016	Up to now
Sun Hongning	Communications Holding	Deputy general manager	1 May 2003	Up to now
Zhou Yong	Jiangsu SOHO Holdings Group Co., Ltd.	President & Director	28 May 2013	Up to now
Xu Qing	Govtor Capital Group Co., Ltd.	Deputy president	16 May 2016	Up to now
Yu Yimin	Jiangsu SOHO Holdings Group Co., Ltd.	Deputy president	1 September 2004	Up to now
Wang Huiqing	Jiangsu Guoxin	General manager of audit and legal affairs department	1 December 2014	5 December 2016
Du Wenyi	Communications Holding	Deputy general accountant & Minister of finance management department	1 February 2011	Up to now
Liu Zhihong	Govtor Capital Group Co., Ltd.	Deputy general manager of finance department	1 September 2014	Up to now
Explanation of the employment at the shareholder of the Company		Nil		

(II) Other Jobs

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
Zhou Yi	Huatai Financial Holdings (Hong Kong)	Director	28 November 2006	Up to now
	Huatai Zijin Investment	Chairman	19 August 2013	Up to now
	Huatai Securities (Shanghai) Asset Management Co., Ltd.	Director	16 October 2014	Up to now
	Jiangsu Emerging Industry Investment Co., Ltd.	Chairman	9 June 2013	Up to now
	Nanjing Huatai Ruitong Investment Management Co., Ltd.	Chairman	25 December 2012	Up to now
	Huatai Ruilian Funds Management Co., Ltd.	Chairman	20 November 2013	Up to now
	Nanjing Huatai Ruixin Equity Investment Management Co., Ltd.	Chairman	20 November 2015	Up to now
	Yili Huatai Ruida Equity Investment Management Co., Ltd.	Chairman	24 November 2015	Up to now
	Huatai Junxin Fund Investment Management Co., Ltd.	Chairman	2 July 2014	Up to now
	Beijing Huatai Tongxin Investment Fund Management Co., Ltd.	Chairman	29 December 2014	Up to now
Pu Baoying	Jiangsu Guoxin Group Finance Co., Ltd.	Chairman	16 December 2015	Up to now
	Jiangsu Zhongjiang Network Media Corp.	Director	27 April 2016	Up to now
	Jiangsu International Trust Corporation Limited	Chairman of the Board of Supervisors	22 May 2015	Up to now
	Jiangsu Broadcasting Cable Information Network Investment Co., Ltd.	Director	23 April 2014	Up to now
	Jiangsu Guoxin and Xinnan (Erdos) Energy Development Co., Ltd. (江蘇國信鑫南 (鄂爾多斯) 能源發展有限公司)	Director	24 April 2014	Up to now
	Shanghai-Nanjing Intercity Railway Group Co. Ltd.	Director	20 April 2016	Up to now
	Suzhou Industrial Park Co., Ltd.	Vice chairman	24 June 2015	Up to now
	Nanjing Yue Jin Auto Co., Ltd.	Director	27 April 2016	Up to now
	Bank of Nanjing Co., Ltd.	Supervisor	24 May 2016	Up to now

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Jiangsu Investment Management Corporation Limited	Director	23 April 2014	27 April 2016
	Jiangsu Huaiyin Electric Power Generation Co., Ltd. (江蘇淮陰發電有限責任公司)	Convener of Board of Supervisors	13 March 2014	28 April 2016
	Jiangsu XINHAI Electric Power Generation Co., Ltd.	Supervisor	13 March 2014	27 April 2016
	Xutang Power Limited Liability Company	Director	30 July 2014	25 April 2016
	Huaneng Nantong Power Generation Limited Liability Company	Director	3 March 2014	20 April 2016
	Yancheng Electric Power Generation Co., Ltd. (鹽城發電有限公司)	Supervisor	4 March 2011	27 April 2016
	Jiangsu Dongling Wind Power Co., Ltd. (江蘇東淩風力發電有限公司)	Convener of Board of Supervisors	13 March 2014	27 April 2016
	Jiangsu Natural Gas Company	Supervisor	25 March 2014	11 May 2016
Gao Xu	Jiangsu Jintai Futures Co., Ltd.	Chairman of the Board of Supervisors	27 April 2011	Up to now
	Jiangsu Jinsuzheng Investment and Development Co., Ltd.	Director	22 June 2007	Up to now
	Nanjing Technology Imp & Exp Corp. Ltd.	Vice chairman	12 May 2008	Up to now
	Jiangsu Sainty International Group Limited	Director	23 August 2010	Up to now
	Qingtongxia Aluminum Industry Co., Ltd. (青銅峽鋁業股份有限公司)	Director	27 March 2008	Up to now
	Jiangsu Digital Certificate Authority Co., Ltd.	Vice chairman	17 June 2015	Up to now
	Jiangsu Guoxin Yongtai Asset Disposal Co., Ltd. (江蘇省國信永泰資產處置有限公司)	Director	5 June 2007	Up to now
	Jiangsu Pharmaceutical Co., Ltd.	Director	27 April 2016	Up to now
Chen Ning	Jiangsu Investment Management Corporation Limited	Director	27 April 2016	Up to now
	Jiangsu International Trust Corporation Limited	Director	11 May 2016	Up to now
	Jiangsu Guoxin Group Finance Co., Ltd.	Director	13 April 2016	Up to now
	Jiangsu Guoxin Fuel Materials Co., Ltd. (江蘇國信燃料物資有限公司)	Supervisor	6 January 2016	Up to now

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
Sun Hongning	Jiangsu Kuailu Motor Transport Co., Ltd.	Chairman	1 December 2004	Up to now
	Suzhou Nanlin Hotel Co., Ltd.	Chairman	1 December 2004	Up to now
	Taicang Container Lines Co., Ltd.	Chairman	1 August 2011	Up to now
	Nanjing Sharelink Venture Capital Co., Ltd.	Chairman of the Board of Supervisors	11 May 2009	Up to now
	Yili Suxin Energy Development and Investment Co., Ltd. (伊犁蘇新能源開發投資有限公司)	Chairman of the Board of Supervisors	1 February 2012	Up to now
	Jiangsu Taicang Port Group Co., Ltd.	Vice chairman	1 July 2006	Up to now
	Guodian Taizhou Power Generation Co., Ltd.	Director	1 December 2007	Up to now
	Jinling Hotel Corporation	Director	1 December 2002	Up to now
	Jiangsu Financial Leasing Co., Ltd.	Chairman of the Board of Supervisors	1 February 2008	Up to now
Zhou Yong	Holly Futures Co., Ltd.	Chairman	1 January 2001	Up to now
	ZKING PROPERTY & CASUALTY INSURANCE CO., LTD.	Director	29 November 2012	Up to now
	Jiangsu Cultural Asset and Equity Exchange Co., Ltd.	Chairman	1 October 2012	Up to now
	Aerosun Co., Ltd.	Independent director	1 May 2011	Up to now
Xu Qing	Fund of Coastal Development Investment under The Belt and Road Initiative (Jiangsu) (一帶一路 (江蘇) 沿海開發投資基金)	Member of the Voting Committee	29 December 2016	Up to now
	Jiangsu International Trust Corporation Limited	Director	3 August 2016	Up to now
	Nanjing Reinsurance Microfinance Technology Co., Ltd. (南京市再保科技小額貸款有限公司)	Director	23 March 2016	Up to now
	Jiangsu Software Industry Co., Ltd. (江蘇省軟件產業股份有限公司)	Director	23 March 2016	Up to now
	Nanjing Asia Pacific Institute of Finance	Director	26 October 2016	Up to now
	Jiangsu Cultural Investment & Management Group Co., Ltd.	Director	3 August 2016	Up to now

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Jiangsu Govtor Electronic Information Co., Ltd. (江蘇高投電子信息有限公司)	Director	4 January 2016	Up to now
	Jiangsu Govtor Venture Capital Management Co., Ltd. (江蘇高投創業投資管理有限公司)	Director	8 January 2016	Up to now
	Jiangsu Hi-tech Venture Capital Co., Ltd. (江蘇高新創業投資有限公司)	Director	23 March 2016	Up to now
	Jiangsu Hi-tech Venture Capital Management Co., Ltd.	Chairman	23 March 2016	Up to now
	Jiangsu Hongrui Technology Venture Capital Co., Ltd. (江蘇弘瑞科技創業投資有限公司)	Director	4 January 2016	Up to now
	Jiangsu Suzhou New & High Venture Capital Co., Ltd (江蘇省蘇高新風險投資股份有限公司)	Director	23 March 2016	Up to now
	Wuxi High-Tech Risk Investment Co., Ltd. (無錫高新技術風險投資股份有限公司)	Director	23 March 2016	Up to now
	Changzhou High-Tech Venture Capital Co., Ltd. (常州高新技術風險投資有限公司)	Chairman	3 August 2016	Up to now
	Suzhou Gaoyuan Venture Capital Co., Ltd. (蘇州高遠創業投資有限公司)	Chairman	3 August 2016	Up to now
	Jiangsu Gaoding Technology Venture Capital Co., Ltd. (江蘇高鼎科技創業投資有限公司)	Director	23 March 2016	Up to now
	Jiangsu Gaojin Venture Capital Co., Ltd. (江蘇高晉創業投資有限公司)	Chairman	3 August 2016	Up to now
	Changzhou Govtor Venture Capital Co., Ltd. (常州高投創業投資有限公司)	Chairman	3 August 2016	Up to now
	Suzhou new & high Risk Investment Venture Investment Management Co., Ltd.	Director	18 April 2016	Up to now
	Suzhou Gaojin Venture Investment Co., Ltd.	Vice chairman	23 March 2016	Up to now

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Jiangsu Gaosheng Technology Venture Capital Co., Ltd. (江蘇高勝科技創業投資有限公司)	Director	23 March 2016	Up to now
	Nantong Gaosheng Growth Venture Capital Co., Ltd. (南通高勝成長創業投資有限公司)	Director	4 January 2016	Up to now
	Yancheng Govtor Venture Capital Co., Ltd. (鹽城高投創業投資有限公司)	Director	4 January 2016	Up to now
	Suzhou Govtor Equity Investment Management Co., Ltd. (蘇州高投股權投資管理有限公司)	Chairman	31 August 2016	Up to now
	Yangzhou Govtor Venture Capital Co., Ltd. (揚州高投創業投資有限公司)	Chairman	26 October 2016	Up to now
Chen Chuanming	School of Business of Nanjing University	Professor	1 November 2006	Up to now
	Kunshan King Lai Hygienic Materials Co., Ltd	Independent director	6 November 2014	Up to now
	Nanjing Iron & Steel Co., Ltd.	Independent director	7 May 2016	Up to now
	GCL System Integration Technology Co., Ltd.	Independent director	31 March 2016	Up to now
Liu Hongzhong	International Finance Department, School of Economics, Fudan University	Professor	1 May 1999	Up to now
	Shanghai Rural Commercial Bank Co., Ltd.	Independent director	8 September 2009	Up to now
	Shenyin & Wanguo Futures Company Limited	Independent director	1 February 2008	Up to now
	Donghai Futures Co., Ltd.	Independent director	29 June 2009	Up to now
	China International Fund Management Co., Ltd.	Independent director	28 May 2013	Up to now
	Shanghai Construction Group Co., Ltd.	External director	29 June 2013	Up to now
Lee Chi Ming	Boningdun Capital Management Co., Ltd. (柏寧頓資本管理有限公司)	Chief partner & Director	1 October 2014	Up to now
	China Minsheng Drawin Technology Group Limited (Previously known as South East Group Limited)	Independent non-executive director	30 December 2014	Up to now

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	China Baoli Technologies Holdings Limited(Previously known as Rex Global Entertainment Holdings)	Independent non-executive director	15 July 2015	Up to now
	Chung Ying Theatre Company Limited	Director	10 December 2015	Up to now
Yang Xiongsheng	Nanjing University	Dean of School of Accounting and Finance & Professor	10 March 2009	Up to now
	Shenji Group Kunming Machine Tool Company Limited	Independent director	22 March 2013	Up to now
	Jiangsu Phoenix Publishing & Media Corporation Limited	Independent director	24 March 2016	Up to now
	IDT International Limited	Independent director	26 August 2015	Up to now
Liu Yan	Beijing Tian Yuan Law Firm	Partner	1 January 2002	Up to now
	Huaxin Cement Co., Ltd.	Independent director	26 September 2014	Up to now
	Yantai Changyu Pioneer Wine Co. Ltd.	Independent director	24 September 2016	Up to now
Yu Yimin	Jiangsu SOHO Investment Group Co., Ltd.	Chairman	1 April 2013	Up to now
	Jiangsu Financial Holding Co., Ltd.	Director	11 May 2015	Up to now
	Suxin Energy Hefeng Co., Ltd. (蘇新能源和豐有限公司)	Director	1 March 2012	Up to now
	Jiangsu SOHO Venture Capital Investment Co., Ltd.	Chairman	20 June 2011	Up to now
	Suxin Energy (Yili) Co., Ltd.	Director	1 March 2012	Up to now
	Jiangsu Province Emerging Industry Fund Investment Management Co.	Director	1 March 2015	Up to now
	Jiangsu International Trust Corporation Limited	Director	1 November 2014	Up to now
	Jiangsu Coastal Innovative Capital Management Co., Ltd.	Director	30 January 2015	Up to now
	Jiangsu Belt and Road Initiative Capital Management Co., Ltd. (江蘇一帶一路資本管理有限公司)	Chairman	15 December 2015	Up to now
Wang Huiqing	Jiangsu Guoxin Group Finance Co., Ltd.	Chairman of the Board of Supervisors	24 August 2015	Up to now
	Jiangsu Investment Management Corporation Limited	Supervisor	27 April 2016	Up to now
	Jiangsu International Trust Corporation Limited	Supervisor	3 March 2014	Up to now

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Jiangsu Real Estate Investment Co., Ltd. (江蘇省房地產投資有限公司)	Chairman of the Board of Supervisors	13 August 2014	Up to now
	Jiangsu New Energy Development Co., Ltd	Chairman of the Board of Supervisors	7 April 2015	Up to now
	Jiangsu Sheyang Port Electric Power Generation Co., Ltd. (江蘇射陽港發電有限公司)	Supervisor	13 March 2014	Up to now
	Yancheng Electric Power Generation Co., Ltd.	Convener of Board of Supervisors	27 April 2016	Up to now
	Hong Kong BROADSINO INVESTMENT CO., LTD.	Chairman of the Board of Supervisors	24 August 2015	Up to now
	Jiangsu Huaiyin Electric Power Generation Co., Ltd. (江蘇淮陰發電有限責任公司)	Director	28 April 2016	Up to now
	Jiangsu Software Industry Co., Ltd. (江蘇省軟件產業股份有限公司)	Supervisor	23 April 2014	Up to now
	Jiangsu Sainty International Group Limited	Supervisor	22 April 2015	Up to now
	Jiangsu Guoxin Huaian New Energy Investment Co., Ltd. (江蘇國信淮安新能源投資有限公司)	Chairman of the Board of Supervisors	24 April 2014	Up to now
	Guoxin (Hainan) Longmu Bay Investment Holding Co., Ltd. (國信 (海南) 龍沐灣投資控股有限公司)	Chairman of the Board of Supervisors	26 March 2015	Up to now
	Jiangsu Susu Industrial Park Development Co., Ltd. (江蘇省蘇宿工業園區開發有限公司)	Supervisor	3 March 2014	Up to now
	Huaneng Nantong Power Generation Limited Liability Company	Supervisor	20 April 2016	Up to now
	Guodian Changzhou Electric Power Generation Co., Ltd.	Supervisor	20 February 2014	Up to now
	Parkview Dingshan Hotel Nanjin Co., ltd.	Director	19 March 2014	Up to now
	Jiangsu Software Park Real Estate Co., Ltd.	Supervisor	23 April 2014	Up to now
	Jiangsu Broadcasting Cable Information Network Investment Co., Ltd.	Supervisor	23 April 2014	Up to now

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Jiangsu Sainty Marine Corporation., Ltd.	Deputy general manager & Board Secretary	5 December 2016	Up to now
	Nanjing Mandarin Garden Hotel Co., Ltd. (南京狀元樓酒店有限責任公司)	Director	23 April 2014	Up to now
	Jiangsu Xinhai Power Generation Co., Ltd. (江蘇新海發電有限公司)	Director	27 April 2016	Up to now
	Jiangsu Xielian Thermoelectricity Group Co., Ltd. (江蘇協聯熱電集團有限公司)	Director	30 July 2014	Up to now
	Jiangsu Guoxin Liyang Pumped Storage Power Generation Co., Ltd. (江蘇國信溧陽抽水蓄能發電有限公司)	Director	27 April 2016	Up to now
	Yixing Xielian Biochemical Co., Ltd. (宜興協聯生物化學有限公司)	Director	30 July 2014	Up to now
	Huanan Xielian Baochun Thermoelectricity Co., Ltd. (樺南協聯報春熱電有限公司)	Director	30 July 2014	Up to now
	Jiangsu Guoxin Yongtai Asset Disposal Co., Ltd. (江蘇省國信永泰資產處置有限公司)	Chairman of the Board of Supervisors	10 March 2015	Up to now
	Jiangsu Pharmaceutical Co., Ltd.	Convener of Board of Supervisors	27 April 2016	Up to now
	Jiangsu International Talents Advisory Services Co., Ltd. (江蘇國際人才諮詢服務有限公司)	Supervisor	20 February 2016	Up to now
	Jiangsu Guoxin and Xinnan (Erdos) Energy Development Co., Ltd. (江蘇國信鑫南 (鄂爾多斯) 能源發展有限公司)	Director	30 July 2014	Up to now
Du Wenyi	Jiangsu Expressway Company Limited	Director	6 June 2008	Up to now
	Jiangsu Jinghu Expressway Company Limited	Director	1 December 2007	Up to now
	Jiangsu Communications Holding Group Finance Co., Ltd.	Chairman	1 August 2011	Up to now
	Jiangsu Yanjiang Expressway Co., Ltd.	Director	1 December 2007	Up to now
	Jiangsu Ocean Shipping Co., Ltd.	Director	1 April 2010	Up to now

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Jiangsu Expressway Network Operation & Management Co., Ltd.	Chairman of the Board of Supervisors	1 December 2007	Up to now
	Fuanda Fund Management Co., Ltd.	Supervisor	1 December 2007	Up to now
	Jiangsu Financial Leasing Co. Ltd	Director	1 December 2007	Up to now
	Nanjing Yue Jin Auto Co., Ltd.	Director	1 December 2007	Up to now
	Hengtai Insurance Brokerage Co., Ltd.	Director	1 April 2012	Up to now
	Guodian Taizhou Power Generation Co., Ltd.	Supervisor	1 April 2012	Up to now
	Nanjing Sharelink Venture Capital Co., Ltd.	Director	11 May 2009	Up to now
	Bank of Jiangsu Co., Ltd.	Director	1 February 2012	Up to now
Liu Zhihong	Jiangsu Hi-tech Venture Capital Co., Ltd. (江蘇高新創業投資有限公司)	Supervisor	1 March 2015	Up to now
	Changzhou High-Tech Venture Capital Co., Ltd. (常州高新技術風險投資有限公司)	Supervisor	1 March 2015	Up to now
	Changzhou Gaorui Venture Capital Management Co., Ltd. (常州高睿創業投資管理有限公司)	Supervisor	1 March 2015	Up to now
	Jiangsu Govtor Venture Capital Management Co., Ltd. (江蘇高投創業投資管理有限公司)	Supervisor	8 January 2016	Up to now
Zhou Xiang	Huatai Zijin Investment	Supervisor	19 August 2013	Up to now
	Huatai Ruilian Funds Management Co., Ltd.	Supervisor	20 November 2013	Up to now
	Jiangsu Equity Exchange Co., Ltd.	Supervisor	1 June 2016	Up to now
Meng Qinglin	Huatai Asset Management	Director	16 October 2014	Up to now
	Jiangsu Equity Exchange	Director	1 June 2016	Up to now
Zhang Haibo	China Southern Asset Management	Chairman	18 October 2016	Up to now
	Huatai Asset Management	Chairman	16 October 2014	20 October 2016
Wu Zufang	Huatai-Pine Bridge Fund Management Co., Ltd.	Director	18 November 2004	24 November 2016
	Huatai Zijin Investment	Director	27 August 2008	1 November 2016
Zhang Tao	Huatai Futures	Chairman	1 November 2013	10 January 2017

Name of employee	Name of job provider	Position	Start of the term of office	Expiration of the term of office
	Huatai Capital Management (Hong Kong) Limited	Chairman of the Board of Directors	17 September 2015	Up to now
	Huatai (Hong Kong) Futures Co., Ltd.	Chairman of the Board of Directors	24 September 2015	Up to now
	China Southern Asset Management	Director	29 November 2003	18 October 2016
Jiang Jian	Huatai Financial Holdings (Hong Kong)	Director	10 August 2015	Up to now
	Huatai Zijin Investment	Director	19 August 2013	Up to now
	Bank of Jiangsu Co., Ltd.	Director	16 May 2012	Up to now
	Nanjing Huatai Ruitong Investment Management Co., Ltd.	Director	9 December 2013	Up to now
	E-Capital Transfer Co., Ltd.	Director	8 January 2015	Up to now
	Huatai United Securities	Director	1 August 2006	4 March 2016
	Jiangsu Equity Exchange Co., Ltd.	Chairman	4 July 2013	21 October 2016
	China Southern Asset Management	Director	3 September 2010	18 October 2016
Shu Ben'e	Huatai United Securities	Chairman of the Board of Supervisors	7 June 2013	Up to now
	China Southern Asset Management	Supervisor	29 November 2003	Up to now
	Huatai Futures	Vice chairman	17 October 2006	Up to now
	Nanjing Huatai Ruitong Investment Management Co., Ltd.	Director	25 December 2012	Up to now
	Huatai Zijin Investment	Director	27 August 2008	1 November 2016
Li Yun	Huatai Asset Management	Chief compliance officer	8 December 2014	28 April 2016
Explanation of other jobs		Nil		

III. Remuneration of the Directors, Supervisors and Senior Management

Decision-making procedures of remuneration of the Directors, Supervisors and senior management	The Remuneration and Appraisal Committee of the Board is responsible for advising the Board on the remuneration structure and policies of the Directors and senior management of the Company. The Board makes decisions on matters relating to the remuneration of and reward and punishment of senior management in accordance with relevant national policies, and matters relating to the remuneration of Directors and Supervisors shall be determined at the general meeting.
The basis for determining the remuneration of the Directors, Supervisors and senior management	The external Directors and external Supervisors of the Company do not receive remuneration from the Company; Standard of remuneration of the independent Directors is determined with reference to that of the listed peers and based on actual situation of the Company; Remuneration of internal Directors, employee Supervisors and the senior management applies relevant policies of governing authorities and the remuneration assessment system of the Company, and determined in accordance with job responsibilities and the result of annual performance, as it is linked to position and performance.
Actual payments of remuneration of the Directors, Supervisors and senior management	Please refer to "Directors, Supervisors, Senior Management and Staff" "I. Changes in Shareholding Structure and Remuneration" — "(I) Changes in Shareholding Structure and Remuneration of Current and Retired Directors, Supervisors and Senior Management during the Reporting Period" in this section of the report for further information.
Total remuneration actually obtained by the Directors, Supervisors and senior management at the end of the Reporting Period	Approximately RMB36.8812 million

4. Changes of Directors, Supervisors and Senior Management

Name	Position	Change	Reason for Change
Sun Lu	Non-executive Director	Resigned	Ceased to be Director of the third session of the Board and dean committee member of Compliance and Risk Management Committee under the Board due to work arrangement
Wang Shuhua	Non-executive Director	Resigned	Ceased to be Director of the third session of the Board and a member of Development Strategy Committee under the Board due to work arrangement
Cai Biao	Non-executive Director	Resigned	Expiration of the term of office
Xu Min	Non-executive Director	Resigned	Ceased to be Director of the third session of the Board and a member of Compliance and Risk Management Committee under the Board due to work arrangement
Shen Kunrong	Independent Non-executive Director	Resigned	Ceased to be Director of the third session of the Board and a member of Development Strategy Committee under the Board according to relevant regulations
Chen Zhibin	Independent Non-executive Director	Resigned	Ceased to be Director of the third session of the Board and a member of Audit Committee under the Board according to relevant regulations
Bai Wei	Independent Non-executive Director	Resigned	Expiration of the term of office
Gao Xu	Supervisor	Resigned	Ceased to be Supervisor after being recommended as Director candidate by Jiangsu Guoxin and elected as Director of the Board by the General Meeting
Song Weibin	Supervisor	Resigned	Expiration of the term of office

Name	Position	Change	Reason for Change
Dong Junzheng	Supervisor	Resigned	Ceased to be Supervisor of the third session of the Board of Supervisors due to personal work assignment
Zhang Hui	Employee Supervisor	Resigned	Expiration of the term of office
Qi Liang	Vice President	Resigned	Ceased to be vice president of the Company due to personal work changes
Zhou Yi	Chairman	Elected	Elected by the Board
Gao Xu	Non-executive Director	Elected	Elected by the General Meeting
Chen Ning	Non-executive Director	Elected	Elected by the General Meeting
Xu Qing	Non-executive Director	Elected	Elected by the General Meeting
Chen Chuanming	Independent Non-executive Director	Elected	Elected by the General Meeting
Yang Xiongsheng	Independent Non-executive Director	Elected	Elected by the General Meeting
Liu Yan	Independent Non-executive Director	Elected	Elected by the General Meeting
Wang Huiqing	Supervisor	Elected	Elected by the General Meeting
Meng Qinglin	Employee Supervisor	Elected	Elected by the Staff Meeting
Wang Chong	Chief risk officer	Appointed	Appointed by the Board

Supplemental Explanation:

1. On 7 December 2015, independent non-executive Director Mr. Shen Kunrong submitted his resignation as independent non-executive Director of the third session of the Board and a member of Development Strategy Committee under the Board in accordance with relevant regulations. On 21 December 2015, independent non-executive Director Mr. Chen Zhibin submitted his resignation as independent non-executive Director of the third session of the Board and a member of Audit Committee under the Board in accordance with relevant regulations. However, since the resignation of Mr. Shen Kunrong and Mr. Chen Zhibin would cause the number of independent non-executive Directors of the Company less than one third of the Board members, according to the requirements of relevant laws and regulations and the Articles of Association of the Company, the application of resignation of Mr. Shen Kunrong and Mr. Chen Zhibin shall come into effect after successive independent non-executive Directors fill in their positions. On 18 March 2016, the first EGM of the Company in 2016 considered and approved the resolution regarding the Election of Independent Non-executive Directors of the Company and elected Mr. Chen Chuanming and Mr. Yang Xiongsheng as independent non-executive Directors of the third session of the Board. As Mr. Chen Chuanming has obtained the qualification to serve as an independent non-executive Director of a securities company as approved by Jiangsu Securities Regulatory Bureau in advance, according to the Articles of Association, Mr. Chen Chuanming succeeded Mr. Shen Kunrong to perform the duties as an independent non-executive Director in the third session of the Board as from 18 March 2016 and he shall hold the office till the end of the third session of the Board. On 5 April 2016, the Company received from Jiangsu Securities Regulatory Bureau the Approval for the Qualification of Yang Xiongsheng as Independent Non-executive Director of Securities Company (Su Zheng Jian Ji Gou Zi [2016] No. 73). According to relevant regulations and resolutions of the first EGM of the Company in 2016, Mr. Yang Xiongsheng succeeded Mr. Chen Zhibin to perform the duties as an independent non-executive Director in the third session of the Board with immediate effect and he shall hold the office till the end of the third session of the Board.

2. On 22 March 2016, the Board received the written resignation notice by vice president Mr. Qi Liang. Mr. Qi Liang submitted his resignation as vice president of the Company due to personal work changes. The resignation takes effect as from the date of submission.

3. On 25 March 2016, the Board of Supervisors received the written resignation notice by Supervisor Ms. Dong Junzheng. Ms. Dong Junzheng submitted her resignation as Supervisor of the third session of the Board of Supervisors due to her personal work assignment. According to relevant laws and regulations and the Articles of Association, Supervisor Ms. Dong Junzheng's resignation takes effect upon the receipt of her resignation notice by the Board of Supervisors.

4. On 7 June 2016, Mr. Sun Lu, Mr. Wang Shuhua and Ms. Xu Min submitted resignation as non-executive Directors of the Board and members of various special committees under the Board due to work arrangement, and Mr. Gao Xu submitted resignation as Supervisor due to work arrangement. The 2015 shareholders' Annual General Meeting of the Company convened that day considered and approved the resolution on the Election of Non-executive Directors of the Third Session of the Board and the resolution on the Election of Mr. Wang Huiqing as Supervisor of the Third Session of the Board of Supervisors and elected Mr. Gao Xu, Mr. Chen Ning and Mr. Xu Qing as non-executive Directors of the third session of the Board and Mr. Wang Huiqing as Supervisor of the third session of the Board of Supervisors. Whereas Mr. Gao Xu, Mr. Chen Ning, Mr. Xu Qing and Mr. Wang Huiqing have obtained the qualifications to serve as Directors or Supervisors of a securities company as approved by Jiangsu Securities Regulatory Bureau in advance, according to the Articles of Association, with immediate effect, Mr. Gao Xu, Mr. Chen Ning and Mr. Xu Qing succeeded Mr. Sun Lu, Mr. Wang Shuhua and Ms. Xu Min to perform the duties as Non-executive Directors in the third session of the Board, respectively, and they shall hold the office till the end of the third session of the Board; Mr. Wang Huiqing succeeded Mr. Gao Xu to perform the duties as Supervisor in the third session of the Board of Supervisors and he shall hold the office till the end of the third session of the Board of Supervisors.

5. On 20 June 2016, at the 33rd meeting of the third session of the Board, Mr. Zhou Yi was elected as Chairman of the third session of the Board and he shall hold the office till the end of the third session of the Board.

6. On 21 December 2016, the Company convened the third EGM of the Company in 2016 and successfully re-elected the Board and the Board of Supervisors. Former non-executive Director Mr. Cai Biao and independent non-executive Director Mr. Bai Wei, Supervisor Mr. Song Weibin and employee Supervisor Mr. Zhang Hui resigned due to the expiration of their terms; Ms. Liu Yan became a new independent non-executive Director; and Mr. Meng Qinglin became a new employee Supervisor.

7. On 21 December 2016, the first meeting of the fourth session of the Board considered and approved the resolution on the Appointment of Senior Management of the Company, where the Board agreed to appoint Wang Chong as Chief Risk Officer of the Company according to the nomination by President Zhou Yi. Mr. Wang Chong will officially take the office of Chief Risk Officer of the Company after he applies for and obtains the qualification as a manager-level member of senior management of a securities company. On 16 March 2017, the Company received the Approval on Wang Chong's Qualification to Work as a manager-level member of senior management in Securities Companies (Su Zheng Jian Xu Ke Zi [2017] No.14) from the Jiangsu Securities Regulatory Bureau. Mr. Wang Chong has served as the Chief Risk Officer of the Company since the date of approval.

5. Special Committees Under the Board

5 special committees, namely, Compliance and Risk Management Committee, Audit Committee, Development Strategy Committee, Nomination Committee and Remuneration and Appraisal Committee were established under the Board, members of which were as follows:

Compliance and Risk Management Committee (3 in total): Pu Baoying (chairman (convener) of the Compliance and Risk Management Committee), Zhou Yong and Xu Qing;

Audit Committee (3 in total, including more than 1/2 of independent non-executive Directors): Lee Chi Ming (chairman (convener) of the Audit Committee), Chen Ning and Yang Xiongsheng;

Development Strategy Committee (3 in total): Zhou Yi (chairman (convener) of Development Strategy Committee), Gao Xu and Liu Hongzhong;

Nomination Committee (3 in total, including more than 1/2 of independent non-executive Directors): Chen Chuanming (chairman (convener) of the Nomination Committee), Sun Hongning and Liu Yan;

Remuneration and Appraisal Committee (3 in total, including more than 1/2 of independent non-executive Directors): Chen Chuanming (chairman (convener) of the Remuneration and Appraisal Committee), Sun Hongning and Liu Yan.

6. Information about the Staff of the Parent Company and Major Subsidiaries

(I) Information about the staff

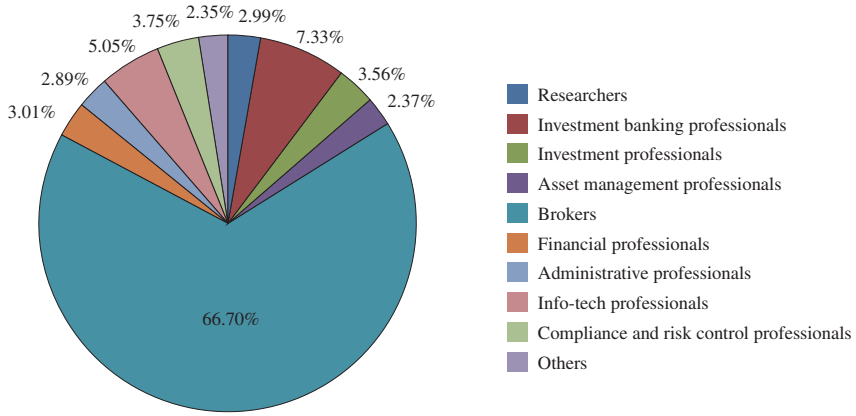
Number of staff employed by the parent company	5,281
Number of staff employed by major subsidiaries	1,686
The total number of staff employed	6,967
Number of retired staff of the parent company and its subsidiaries that need to be paid for the cost	141

Profession Composition

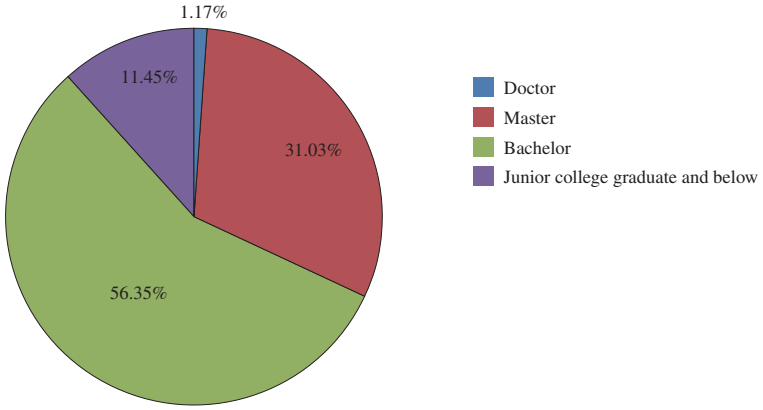
Type of profession	Number of staff
Researchers	208
Investment banking professionals	511
Investment professionals	248
Asset management professionals	165
Brokers	4,647
Financial professionals	210
Administrative professionals	201
Info-tech professionals	352
Compliance and risk control professionals	261
Others	164
Total	6,967

Education

Level of education	Number (persons)
Doctor	81
Master	2,162
Bachelor	3,926
Junior college graduate and below	798
Total	6,967



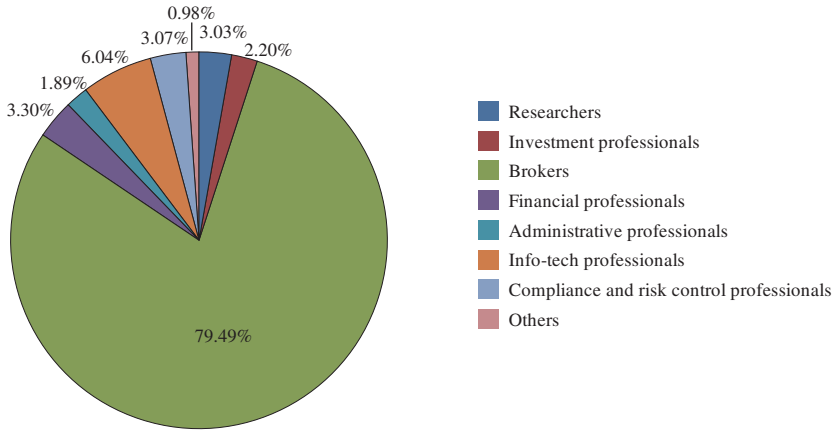
Pie chart of profession structure of employees of the Group



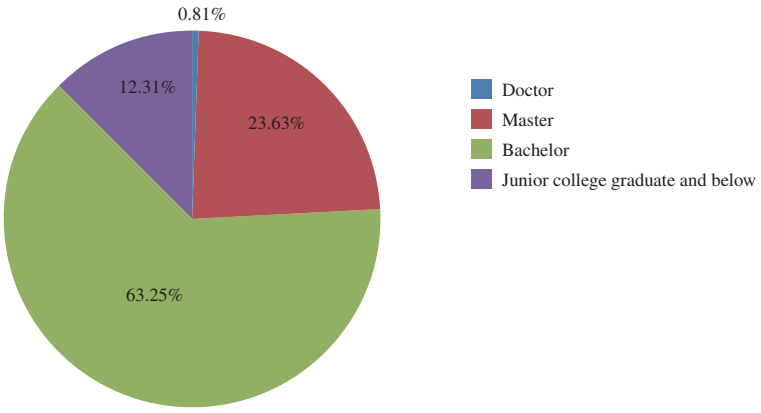
Pie chart of level of education of employees of the Group

Demographics of the parent company

Dimensions	Items	Total
Profession Composition	Researchers	160
	Investment banking professionals	
	Investment professionals	116
	Asset management professionals	
	Brokers	4,198
	Financial professionals	174
	Administrative professionals	100
	Info-tech professionals	319
	Compliance and risk control professionals	162
	Others	52
Levels of education	Doctor	43
	Master	1,248
	Bachelor	3,340
	Junior college graduate and below	650
Total		5,281



Pie chart of profession structure of employees of the parent company



Pie chart of level of education of employees of the parent company

(II) Remuneration policy

The Company attaches importance to the fairness of remuneration distribution in terms of both internal and external comparison and implements a remuneration distribution system based on market standards and weighted by the result of performance evaluation. The Company constantly refines the incentive mode and improves the management level of marketization, and promotes the business transformation of the Company. Staff remuneration of the Company consists of fixed salary, performance bonus and employee benefit.

Pursuant to relevant laws and regulations, the Company sets up social insurances (pension insurance, medical insurance, unemployment insurance, job-related injury insurance and maternity insurance) and housing fund accounts for the staff, and makes full payments to the above social insurance and housing funds according to regulations. Meanwhile, in order to improve employees' medical insurance level, the Company establishes supplementary commercial medical insurance and accident insurance on the basis of the basic medical insurance, providing staff with supplementary medical care at the Company's cost.

For the information on the remuneration of employees of the Company in the Reporting Period, please refer to the note 16 to the consolidated financial statements of this announcement.

(III) Retirement benefits

The Group has provided a pension plan for full-time employees in Mainland China as required by the government. Namely, the Group pays endowment insurance premiums to the social insurance institution designated by the government on a monthly basis, which account for a certain percentage of the total salaries of the staff. After the retirement of the employees, the government is obliged to pay the pensions to them. According to the aforesaid Defined Contribution Plan (DCP), the Group shall not be liable for the post-retirement benefits beyond the above contributions. Contributions to the Plan will be included in the cost at the time of occurrence.

(IV) Training programs

In line with the development trend of industry innovation and transformation, the Company continued to center its training on the aspects including business innovation, induction education, management capability and cultivation of internal trainers, propelled the training work with a combination of centralized trainings and external trainings as well as on-site trainings and internet trainings; its annual training plan is implemented smoothly. During the whole year, the Company completed 35 centralized trainings and 155 off-site trainings, with approximately 2,864 participants on site and over 1,500 participants by the way of remote video or internet trainings. 98.4% of the participants completed the studies provided by the internet training school. In 2016, the Company's internal trainers provided 339 hours of lectures in total, and developed 68 courses and 18 WeChat courses. The Company improved outbound training courses, customized the training programs based on the principle of specialization and personalization, and arranged overseas training programs in succession for financial technology and Internet finance to the United States,

which provided a strong support for the transformation and development of the Company business. In order to promote the construction of the whole business chain and adapt to the innovation trend of the industry, the Company's organized the Huatai Forum and provided training courses on the whole business chain through the internet school and remote videos, which actively propelled the construction of the whole business chain of the Company. The Company also established an internal regular training mechanism for every department, and organized every department to formulate and implement its own annual training curriculum with a total of 247 courses.

7. Customer Solicitation and Customer Service by Brokers Commissioned by the Company

The Company implements a securities brokerage system in compliance with the regulatory rules. On 31 December 2016, the Company had a total of 3,684 sales staffs, of whom 1,126 worked with labor contract and 2,558 worked with commission contract.

In building its sales team, the Company upheld the commitment to expand the business in compliance with regulations and protect the rights and interests of investors, so as to achieve a concentrated and unified management through the improvement of effective management system covering qualification management, training management, behavioral code, information inquiry, customer survey, abnormal transaction monitoring, mal-practice punishment, performance evaluation, etc. The Company and its branches duly performed the responsibilities and watched over each other, as regular inspection and non-scheduled spot-check are introduced to ensure the standardization and effectiveness of management.

During the Reporting Period, all the branches of the Company implemented corporate rules on the daily operation management of sales staff stringently. The sales staff monitoring system were able to early learn the abnormal transaction behaviors of customers in advance as made Possibly by designated sales persons, so the risk control staffs could check and review the risk to allow all branches to properly handle the complaints of customers in time, warn the abnormal transaction behaviors of a customer served by the designated sales person, so that the risk control staff could check and review it, and that all the branches could properly handle the complaints of customers in time, discover and report the mal-practices of sales staff to the supervisory division in time, hold the responsible persons into account, and correct the relevant problems spotted in self-check timely.

The sales team has played an active role in market expansion and customer development of the Company, and accomplished expected results.

Corporate Governance Report

I. Description of corporate governance

As a company listed both in the Mainland China and Hong Kong, the Company has operated business in a standard manner and in strict compliance with the requirements set forth in the laws, regulations and normative documents of the PRC and the overseas jurisdiction where the shares of the Company are listed, and has made continuous efforts to maintain and enhance the good image of the Company in the market. The Company keeps improving its corporate governance structure, compliance risk control and internal control system according to the requirements of the Company Law, the Securities Law, the Regulations on Supervision and Management of Securities Companies, the Rules for Governance of Securities Companies, the Rules for Corporate Governance of Listed Companies, the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and other relevant laws and regulations as well as the Articles of Association, in order to establish a modern corporate system, and shape a corporate governance structure where checks and balances among the general meeting, the Board, the Board of Supervisors and the operation management are maintained, with each of them being separated from the other and performing its own functions and responsibilities corresponding to its position within the specified terms of reference, thereby ensuring all the operational activities of the Company are carried out smoothly and in accordance with relevant laws and regulations.

(I) Corporate governance

During the Reporting Period, the Company conducted its operations and management in a standard and orderly manner. Various rules and regulations have been formulated and continuously refined in strict compliance with the requirements of laws, regulations and normative documents for standardization of its operation. Currently, the Company has established the following main systems and their public disclosure statuses are set out below:

Main Rules and Regulations of the Company	Public Disclosure Status
Articles of Association	Has been disclosed publicly on the website of Shanghai Stock Exchange
Rules of Procedures of the General Meeting of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Rules of Procedures of the Board of Directors of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Terms of Reference of the Special Committees under the Board of Directors of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Working System for Independent Directors of the Company	Has not been disclosed publicly
Rules of Procedures of the Board of Supervisors of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Working Rules of the President of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange

Main Rules and Regulations of the Company	Public Disclosure Status
Working Rules of the Secretary to the Board of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Decision Making System of the Company for External Guarantee	Has not been disclosed publicly
Regulations on the Management of Proceeds of the Company	Has not been disclosed publicly
Decision Making System of the Company for Connected Transactions	Has not been disclosed publicly
Administrative System regarding Investor Relationship of the Company	Has not been disclosed publicly
Administrative Measures of the Company for Information Disclosure	Has not been disclosed publicly
Accountability System for Material Errors of Information Disclosure in the Annual Report of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Internal Reporting System for Material Information of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
System regarding Insider Registration and Management and Confidentiality of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Rules concerning Work on Annual Reports of the Audit Committee of the Board of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Rules on Auditing of Annual Reports of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Compliance Management System of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Strategic Management System of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Shareholders' Return Plan for the Coming Three Years (2014–2016) of the Company	Has been disclosed publicly on the website of Shanghai Stock Exchange
Administrative System regarding the Shares of the Company Held by Directors, Supervisors and Senior Management	Has been disclosed publicly on the website of Shanghai Stock Exchange

During the Reporting Period, since the CSRC has revised and issued Guidelines for Articles of Association of Chinese Listed Companies, Rules for Shareholders' Meeting of Listed Companies and other regulations, the Company revised and improved the Articles of Association and Rules of Procedures of the General Meeting of the Company according to relevant laws and regulations and actual conditions, which was been approved by the shareholders' meeting of the Company, in order to meet the relevant regulatory requirements. Meanwhile, in order to improve the work efficiency of operation management and lift standard development level, the Company also revised and improved the Working Rules of the President of the Company, which was been approved by the shareholders' meeting of the Company. Besides, the Company established the fourth Board and fourth Board of Supervisors during the Reporting Period after passing the review

of 37th meeting of third Board and 16th meeting of third Board of Supervisors and the approval of the third temporary shareholders' meeting in 2016 and according to the election conditions of congress of workers and staff of the Company. Owing to the establishment and continuous improvement of the above systems, the Company saw a continuous improvement in its corporate governance structure and corporate governance level.

The convening, holding and voting procedures of the general meeting, the Board and Board of Supervisors were standard, legal and valid, and the Company disclosed truthful and accurate information in a complete, timely and fair manner. The Company carried out investor relationship management in a standard and professional manner, and carried out insider information management and registration of insiders in strict compliance with the requirements of the System regarding Insider Registration and Management and Confidentiality of the Company and other relevant rules. The Company adhered to the principle of scientificity, standardization and transparency when practicing corporate governance. The Company obtained the "special mention" prize for best corporate governance of Hong Kong Society of Accountants in 2016 during the Reporting Period.

1. Shareholders and the general meeting

The general meeting is the supreme authority of the Company, and all shareholders exercise their powers through such meeting. The Company convened and held general meetings in strict compliance with the Articles of Association, Rules of Procedures of the General Meeting and other relevant regulations, and ensured all shareholders, especially the minority shareholders, enjoyed equal status and full exercise of their rights. The largest shareholder and the actual controller of the Company exercised their rights in accordance with the laws, regulations and the Articles of Association, and neither directly or indirectly intervened in the decisions and operations of the Company beyond the general meeting nor appropriated any fund of the Company or requested the Company to provide any external guarantee. The Company was completely independent from its largest shareholder and actual controller in terms of staff, assets, finance, organization and business.

2. *Directors and the Board*

The appointment and change of Directors were in strict compliance with the Articles of Association. The number and composition of the Board conformed to the requirements of the relevant laws and regulations. The Board has continuously improved its rules of procedures. All the Board meetings were duly convened and held, and all voting procedures at the meetings were legal and valid. The Company has established a working system for Independent Directors, and all the independent Directors have independently and objectively worked to protect the legitimate rights and interests of the Company and its shareholders, and played a role of check and balance in the decisions-making process of the Board. All Directors performed their respective responsibilities with due diligence in accordance with relevant requirements, and worked to protect the interests of the Company and all shareholders.

There is no financial, business, family or other significant/related relationship between the Directors, Supervisors and senior management of the Company.

The Company believes that the increasing diversity of the Board is one of the key factors that help support its strategic objectives and maintain sustainable development. Therefore, the Company should, when determining the composition of the Board, consider the diversity of Board members in several aspects, including but not limited to gender, age, culture, educational background, professional experience, skills, knowledge and popularity in service. The determination of the members should be based on the value of the candidates and the contribution that they could make to the Board. All nominations of the Board should be in the principle of "merit-based". When the candidates are selected, the benefits from the diversity of Board members should be taken into full consideration according to their objective conditions. The Nomination Committee will report annually on the diversified composition of the Board in the annual report, inspect the implementation of the abovementioned policy on diversification of board members and review such policy in due course so as to ensure its effectiveness.

3. *Supervisors and the Board of Supervisors*

The appointment and change of the Supervisors were in strict compliance with the Articles of Association. The number and composition of the Board of Supervisors conformed to the requirements of the relevant laws and regulations. The Board of Supervisors has continuously improved its rules of procedure. All the meetings of the Board of Supervisors were duly convened and held, and all voting procedures at the meetings were legal and valid. The Board of Supervisors is responsible to the general meeting. Based on the principle of being responsible to all shareholders, the Board of Supervisors effectively supervised the legality and compliance of the Company's finance and the performance of duties by the Board and the management of the Company. All Supervisors diligently performed their duties, attended all meetings of the Board of Supervisors and sat in the meetings of the Board as non-voting delegates, made reports to the general meeting and submitted its work report.

4. *Senior management of the Company*

The appointment and change of the senior management were in strict compliance with the Articles of Association. The procedures for appointment of senior management complied with the Company Law and the Articles of Association. The Company has formulated the Working Rules of the President and the Working Rules of the Secretary to the Board and other rules and regulations. The senior management of the Company conducted operations and performed their duties legally and diligently in accordance with the laws, regulations and authorizations of the Board, in order to maximize shareholders' benefits and social benefits.

5. *Information disclosure and transparency of the Company*

The Company disclosed information in a truthful, accurate, complete and timely manner in strict compliance with the requirements of laws, rules and relevant regulations, and ensured that all shareholders had an equal access to the relevant information of the Company, thereby ensuring the transparency of the Company. The Company strengthened the management of insider information, worked to ensure the confidentiality of insider information, and safeguarded the principle of fairness in information disclosure in strict compliance with the System regarding Insider Registration and Management and Confidentiality of the Company. The Board designated the secretary to the Board to be responsible for the Company's information disclosure, and the Office of the Board also assisted the secretary in information disclosure. Meanwhile, the Company also arranged specific person to answer telephone enquiries of investors and questions from investors via e-mails, actively entertained institutional investors during their on-site survey, and set up an investor relations section on the Company's website.

6. Stakeholders

The Company gave full respects to the shareholders, customers, staff and other stakeholders and protected their legitimate rights and interests from the perspective of system building and in each link of business operation, ensured the development of the Company in a sustainable, harmonious, healthy and standard way, in order to achieve all-win results for the Company and all stakeholders, thus maximizing the Company's profits and social benefits.

During the Reporting Period, according to the requirements of the regulatory departments, the Company further improved its organizational structure, institutional building and strengthened management of insider information, and ensured the actual status of the corporate governance of the Company complied with the requirements of the normative documents published by the CSRC regarding the corporate governance of listed companies. Meanwhile, the Company strictly complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report, and met most of the recommended best practices in the Corporate Governance Code.

(II) Formulation and implementation of insider registration and management system

The Company formulated the System regarding Insider Registration and Management and Confidentiality in April 2010 in accordance with the requirements of relevant laws and regulations, normative documents and the Articles of Association and in light of the actual situation of the Company, which was considered and approved at the 17th meeting of the first session of the Board, in order to strengthen the management of insider information, maintain the confidentiality of insider information, ensure fair information disclosure and protect the legitimate rights and interests of investors.

In December 2011, according to the Provisions on the Establishment of an Insiders Registration and Management System by Listed Companies (CSRC Announcement [2011] No. 30) by CSRC and the Circular on Filing Records of Insiders by Listed Companies (SSE Circular [2011] No. 1501) by Shanghai Stock Exchange, the Company made amendments to the System regarding Insider Registration, Management and Confidentiality, which were considered and approved at the 7th meeting of the second session of the Board.

In March 2015, in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, the Company made amendments to the System regarding Insider Registration and Management and Confidentiality, which were considered and approved at the 16th meeting of the third session of the Board.

During the Reporting Period, the Company made more efforts to maintain the confidentiality of insider information, performed its obligation of insider registration, management and confidentiality diligently, kept records of the names of insiders who had accessed to the insider information at the stage of negotiation, planning, demonstration and consultation and contracting as well as in the processes of reporting, delivery, preparation, auditing, resolution and disclosing before its final disclosure in strict compliance with the

requirements of System regarding Insider Registration, Management and Confidentiality, and kept records of information relating to insiders and memos of progress of major events, in order to effectively prevent insider trading and properly carry out information disclosure.

During the Reporting Period, the Company organized internal investigation into the trading of shares and derivatives of the Company by insiders, and found that none of the holders of insider information had made use of insider information in share transactions before any significant-price-sensitive-nature information disclosure that may affect the share price of the Company, and the Company has not received any punishment or administrative measure imposed by regulatory departments due to the implementation of the Insider Registration and Management System or the possible involvement in insider trading.

(III) Corporate governance policies and the Board's responsibilities on corporate governance

The Company followed all the principles in the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules to be its own corporate governance policies and has been in strict compliance with the Listing Rules. In respect of the corporate governance function, the terms of reference of the Board shall at least include:

(1) to formulate and review the corporate governance policies and practices of the Company;

(2) to review and monitor the training and continuous professional development of the Directors and the senior management;

(3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;

(4) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to monitor employees and Directors; and

(5) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

(IV) Securities transactions by Directors, Supervisors and employees

During the Reporting Period, the Company adopted the Model Code as the code of conduct for securities transactions of the Company by all Directors and Supervisors. According to the domestic regulatory requirements, the Company convened the 13th meeting of the third session of the Board on 25 November 2014 to consider and approve the Administrative System regarding the Shares of the Company Held by Directors, Supervisors and Senior Management (the "Administrative System") in order to regulate holding and trading in the shares of the Company by Directors, Supervisors and senior management. On 6 March 2015, the Company made amendments to the Administrative System in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, which were considered and approved at the 16th meeting of the third session of the Board. The compulsory provisions contained in the Administrative System are stricter than

those under the Model Code. Having made all enquiries with Directors, Supervisors and senior management, the Company confirmed that all Directors, Supervisors and senior management had strictly complied with the relevant requirements under the Administrative System and Model Code during the Reporting Period. The Board of the Company will, from time to time, carry out inspection on corporate governance and operation of the Company, in order to ensure the relevant provisions under the Hong Kong Listing Rules were well observed and to protect the interests of the shareholders. Please refer to the section of "Directors, Supervisors, Senior Management and Staff" — "I. Changes in Shareholding Structure and Remuneration" — "(I) Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period "for details about the shareholding of the Directors, Supervisors and senior management of the Company.

II. Brief introductions to the general meetings

Meeting	Convening date	Resolutions	Status	Enquiry index of the websites designated for publication of the resolutions	Date of disclosure of the publication of the resolution
The first extraordinary general meeting in 2016	18 March 2016	Resolution on the Election of Independent Non-executive Directors of the Company.	Considered and approved	http://www.sse.com.cn http://www.hkexnews.hk http://www.htsc.com.cn	19 March 2016
2015 Annual General Meeting	7 June 2016	1. Work Report of the Board of Directors of the Company for 2015; 2. Work Report of the Board of Supervisors of the Company for 2015; 3. Final Account Report of the Company for 2015; 4. Resolution on the Profit Distribution of the Company for 2015; 5. Resolution on the Annual Report of the Company for 2015; 6. Resolution on the Anticipation of Ordinary Connected Transactions of the Company for 2016; 7. Resolution on the Anticipation of the Amount of the Company's Own Investment for 2016; 8. Resolution on Increase of Audit Service Cost of the Company for 2015; 9. Resolution on the Renewal of the Accounting Firm of the Company; 10. Resolution on Application of Expanding Foreign Exchange Business Scope; 11. Resolution on the Public Issuance of Short-term Financing Bonds by the Company; 12. Resolution on the Appointment of Mr. Wang Huiqing as a Supervisor of the Third Board of Supervisors of the Company; 13. Resolution on the Appointment of Non-executive Director of the Third Session of the Board of the Company;	All resolutions were considered and approved	http://www.sse.com.cn http://www.hkexnews.hk http://www.htsc.com.cn	9 June 2016

Meeting	Convening date	Resolutions	Status	Enquiry index of the websites designated for publication of the resolutions	Date of disclosure of the publication of the resolution
		14. Debriefing of Working Report of Independent Non-Executive Director of the Company for 2015; 15. Debriefing of the Report Concerning Performance Assessment and Remuneration of the Director of the Company for 2015; 16. Debriefing of the Report Concerning Performance Assessment and Remuneration of the Supervisor of the Company for 2015; 17. Debriefing of the Report Concerning Execution of Duty, Performance Assessment and Remuneration of Senior Management of the Company for 2015.			
The second extraordinary general meeting in 2016	13 September 2016	Resolution on the Provision of Guarantee on the Net Capital of the Company's Wholly-owned Subsidiary Huatai Asset Management	Considered and approved	http://www.sse.com.cn http://www.hkexnews.hk http://www.htsc.com.cn	14 September 2016
The third extraordinary general meeting in 2016	21 December 2016	1. Resolution on the Amendments to the Articles of Association of Huatai Securities; 2. Resolution on the Amendments to Rules of Procedures of the General Meeting of Huatai Securities; 3. Resolution on the Election of Members of the Fourth Session of the Board of the Company (Non-independent Director); 4. Resolution on the Election of Members of the Fourth Session of the Board of the Company (Independent Director); 5. Resolution on the Election of Members of the Fourth Session of the Board of Supervisors of the Company (Non-staff Representative Supervisor).	All resolutions were considered and approved	http://www.sse.com.cn http://www.hkexnews.hk http://www.htsc.com.cn	22 December 2016

Explanations on general meetings

During the Reporting Period, the Company held four general meetings in total, the details of which are as follows:

1. The Company's first extraordinary general meeting in 2016, with scene & network voting methods adopted, was held in Renaissance Nanjing Olympic Centre Hotel (No. 139, Aoti Street, Jianye District, Nanjing). The general meeting was organized by the Board of Directors and hosted by the Executive Director — Zhou Yi. Certain Directors, Supervisors and the secretary to the Board attended the meeting and certain senior management of the Company and witnessing lawyers employed by the Company and relevant personnel of Computershare Hong Kong Investor Services Limited sat in the meeting. The meeting was convened and held and its voting method was in conformity with relevant regulations such as Company Law and Articles of Association and so on. Details of relevant announcements on the resolutions of the general meeting can be found at http://www.sse.com.cn (Shanghai Stock Exchange website), http://www.hkexnews.hk (disclosure website of Hong Kong Stock Exchange), our Company's website http://www.htsc.com.cn and China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times published on 19 March 2016.

2. The annual general meeting in 2015 of the Company, with scene & network voting methods adopted, was held in Renaissance Nanjing Olympic Centre Hotel (No. 139, Aoti Street, Jianye District, Nanjing). The general meeting was organized by the Board of Directors and hosted by the Executive Director — Zhou Yi. Certain Directors, Supervisors and the secretary to the Board attended the meeting and certain senior management of the Company and witnessing lawyers employed by the Company and relevant personnel of Computershare Hong Kong Investor Services Limited sat in the meeting. The meeting was convened and held and its voting method was in conformity with relevant regulations such as Company Law and Articles of Association and so on. Details of relevant announcements on the resolutions of shareholders' meeting can be found at http://www.sse.com.cn (Shanghai Stock Exchange website), http://www.hkexnews.hk (disclosure website of Hong Kong Stock Exchange), our Company's website http://www.htsc.com.cn and *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and *Securities Times* published on 9 June 2016.

3. The Company's second extraordinary general meeting in 2016, with scene & network voting methods adopted, was held in Renaissance Nanjing Olympic Centre Hotel (No. 139, Aoti Street, Jianye District, Nanjing). The shareholders' meeting was organized by the Board of Directors and hosted by the Chairman — Zhou Yi. Certain Directors, Supervisors and the secretary to the Board attended the meeting and certain senior management of the Company and witnessing lawyers employed by the Company and relevant personnel of Computershare Hong Kong Investor Services Limited sat in the meeting. The meeting was convened and held and its voting method was in conformity with relevant regulations such as Company Law and Articles of Association and so on. Details of relevant announcements on the resolutions of shareholders' meeting can be found at http://www.sse.com.cn (Shanghai Stock Exchange website), http://www.hkexnews.hk (disclosure website of Hong Kong Stock Exchange), our Company's website http://www.htsc.com.cn and *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and *Securities Times* published on 14 September 2016.

4. The Company's third extraordinary general meeting in 2016, with scene & network voting methods adopted, was held in Renaissance Nanjing Olympic Centre Hotel (No. 139, Aoti Street, Jianye District, Nanjing). The shareholders' meeting was organized by the Board of Directors and hosted by the Chairman — Zhou Yi. Certain Directors, Supervisors and the secretary to the Board attended the meeting and certain senior management of the Company and witnessing lawyers employed by the Company and relevant personnel of Computershare Hong Kong Investor Services Limited sat in the meeting. The meeting was convened and held and its voting method was in conformity with relevant regulations such as Company Law and Articles of Association and so on. Details of relevant announcements on the resolutions of shareholders' meeting can be found at http://www.sse.com.cn (Shanghai Stock Exchange website), http://www.hkexnews.hk (disclosure website of Hong Kong Stock Exchange), our Company's website http://www.htsc.com.cn and *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and *Securities Times* published on 22 December 2016.

   None of the shareholders of the Company are holders of preference shares with voting rights recovered. Therefore, none of the extraordinary general meetings was convened by holders of preference shares with voting rights restored, nor was any general meeting proposed to be convened, convened or chaired by the holders of preference shares with voting rights recovered during the Reporting Period.

III. Condition of Board meetings during the Reporting Period

Meeting name	Time	Meeting form and place	Meeting motion	Status
27th Meeting of the Third Session of the Board	27 January 2016	By means of teleconference	1. Proposal on voting Chen Chuanming as the independent non-executive Director of the third session of the Board; 2. Proposal on voting Yang Xiongsheng as the independent non-executive Director of third session of the Board; 3. Resolution on convening the first extraordinary general meeting of the Company in 2016.	All resolutions were considered and approved

Meeting name	Time	Meeting form and place	Meeting motion	Status
28th Meeting of the Third Session of the Board	11 March 2016	By means of on-site & video meetings, address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Conference Room I, Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22, Fengsheng Alley, Xicheng District, Beijing; HD Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; HD Video Conference Room, Huatai Financial Holdings (Hong Kong), Floor 58, The Centre, No. 99, Queen's Road Central, Hong Kong.	1. Resolution on intended acquisition of Sierra (project code); (Note 1) 2. Resolution on adding the registered capital of the Company's wholly-owned subsidiary — Huatai Financial Holdings (Hong Kong)	All resolutions were considered and approved
29th Meeting of the Third Session of the Board	29 March 2016	By means of on-site meeting, address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing	1. Work report of the president of the Company for 2015; 2. Final account report of the Company for 2015; 3. Financial budget report of the Company for 2016; 4. Proposal on profit distribution plan of the Company for 2015; 5. Work report of the Board for 2015; 6. Resolution on the annual report of the Company for 2015; 7. Resolution on the annual compliance report of the Company for 2015;	All resolutions were considered and approved

Meeting name	Time	Meeting form and place	Meeting motion	Status
			8. Resolution on the internal control assessment report of the Company for 2015; 9. Resolution on the social responsibility report of the Company for 2015; 10. Proposal on the anticipation of ordinary connected transactions of the Company for 2016; 11. Proposal on the anticipation of the amount of the Company's own investment for 2016; 12. Proposal on the increase of audit service cost of the Company for 2015; 13. Resolution on further employment of the accounting firm for the Company; 14. Resolution on the application for expanding foreign exchange business scope; 15. Resolution on the public issuance of short-term financing bonds by the Company; 16. Resolution on proposing to checking the special report of the accounting estimate change matters of the Company in 2015; 17. Report on performance assessment and remuneration of the Directors of the Company in 2015; 18. Report on execution of duty, performance assessment and remuneration of the senior executives of the Company in 2015; 19. Resolution on convening the general meeting of the Company for 2015;	

Meeting name	Time	Meeting form and place	Meeting motion	Status
			20. Work report of independent Directors of the Company for 2015; 21. Report on the performance of duties of the Audit Committee of the Board for 2015; 22. Work report of the Compliance Director of the Company for 2015; 23. Report on execution of the net capital and risk control indicator of the Company for 2015.	
30th Meeting of the Third Session of the Board	11 April 2016	By means of on-site & video meetings, address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Conference Room I (HD Video Conference Room), Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22, Fengsheng Alley, Xicheng District, Beijing; HD Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; HD Video Conference Room, Huatai Financial Holdings (Hong Kong), Floor 58, The Centre, No. 99, Queen's Road Central, Hong Kong.	Resolution on Huatai International Finance Limited acquiring AssetMark Financial Holdings, Inc.	Considered and approved

Meeting name	Time	Meeting form and place	Meeting motion	Status
31st Meeting of the Third Session of the Board	15 April 2016	By means of teleconference	1. Proposal on the appointment of non-executive Director of the third session of the Board; 2. Resolution on increase of agenda for the general meeting of the Company in 2015.	All resolutions were considered and approved
32nd Meeting of the Third Session of the Board	28 April 2016	By means of on-site & video meetings, address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Conference Room I (HD Video Conference Room), Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22, Fengsheng Alley, Xicheng District, Beijing; HD Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; HD Video Conference Room, Huatai Financial Holdings (Hong Kong), Floor 58, The Centre, No. 99, Queen's Road Central, Hong Kong.	Resolution on the first quarterly report of the Company of 2016.	Considered and approved

Meeting name	Time	Meeting form and place	Meeting motion	Status
33rd Meeting of the Third Session of the Board	20 June 2016	By means of on-site & video meetings, address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; Conference Room I (HD Video Conference Room), Huatai United Securities, Floor 6, Building A, Fengming International Building, No. 22, Fengsheng Alley, Xicheng District, Beijing; HD Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai; HD Video Conference Room, Huatai Financial Holdings (Hong Kong), Floor 58, The Centre, No. 99, Queen's Road Central, Hong Kong.	1. Resolution on election of the Chairman of the third session of the Board; 2. Resolution on adjustment of composing solution of certain specialized committees of the Board; 3. Resolution on adjustment of internal organizations of the Company.	All resolutions were considered and approved
34th Meeting of the Third Session of the Board	29 June 2016	By means of teleconference	Resolution on *Development Strategy Plan of the Company in the "13th Five-year Plan"*.	Considered and approved
35th Meeting of the Third Session of the Board	27 July 2016	By means of teleconference	1. Resolution on giving security for the net capital of the Company's wholly-owned subsidiary — Huatai Asset Management 2. Resolution on convening the second extraordinary general meeting of the Company in 2016.	All resolutions were considered and approved

Meeting name	Time	Meeting form and place	Meeting motion	Status
36th Meeting of the Third Session of the Board	19 August 2016	By means of on-site meeting, address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing	1. Resolution on interim report of the Company for 2016; 2. Resolution on interim compliance report of the Company for 2016; 3. Regulatory report on net capital computation sheet and risk control indicator of the Company of the first half year of 2016.	All resolutions were considered and approved
37th Meeting of the Third Session of the Board	28 October 2016	By means of on-site & video meetings, address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing; HD Video Conference Room, Shanghai Branch Office of Huatai Securities, Floor 25, Poly Plaza, No. 18, Dongfang Road, Pudong New Area, Shanghai.	1. Resolution on the third quarterly report of the Company in 2016; 2. Resolution on application for increasing refinancing business limit of the Company; 3. Resolution on the amendments to *Working Rules of the President of Huatai Securities Co., Ltd.*; 4. Resolution on the amendments to *Regulations of Huatai Securities Co., Ltd.*; 5. Resolution on the amendments to *Rules of Procedures of the General Meeting of Huatai Securities Co., Ltd.*; 6. Resolution on the election of members (non-independent Director) of the fourth session of the Board 7. Resolution on the election of members (independent Director) of the fourth session of the Board 8. Resolution on convening the third extraordinary general meeting of the Company in 2016.	All resolutions were considered and approved

Meeting name	Time	Meeting form and place	Meeting motion	Status
1st Meeting of the Fourth Session of the Board	21 December 2016	By means of on-site meeting, address: Conference Room 2, Floor 2, Renaissance Nanjing Olympic Centre Hotel, No. 139, Aoti Street, Jianye District, Nanjing	1. Resolution on election of the Chairman of the fourth session of the Board; 2. Resolution on the composing solution of the specialized committees of the fourth session of the Board; 3. Resolution on appointment of the president of the Company; 4. Resolution on appointment of senior management of the Company; 5. Resolution on appointment of secretary to the Board; 6. Resolution on function orientation of the Capital Operation Department and duty adjustment for relevant departments.	All resolutions were considered and approved

Notes: 1. Sierra is the project code of AssetMark Financial Holdings, Inc.

2. Details of relevant announcements on the resolutions of the Board can be found on the website of Shanghai Stock Exchange (http://www.sse.com.cn), the website of Hong Kong Exchange (http://www.hkexnews.hk) and our Company's website (http://www.htsc.com.cn) and *China Securities Journal, Shanghai Securities News, Securities Daily* as well as *Securities Times*.

IV. Condition of the meeting of the Board of Supervisors during the Reporting Period

Meeting name	Time	Meeting form and place	Meeting motion	Status
12th Meeting of the Third Session of the Board of Supervisors	29 March 2016	By means of teleconference on-site meeting, address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing	1. Work report of the Board of Supervisors for 2015; 2. Proposal on profit distribution of the Company in 2015; 3. Resolution on the Company's annual report for 2015; 4. Resolution on the Company's internal control evaluation report for 2015; 5. Proposal on proposing to checking the special report of the accounting estimate change matters of the Company in 2015; 6. Report concerning performance assessment and remuneration of the Supervisors in 2015; 7. Report on internal audit of the Company in 2015; 8. Work plan on internal audit of the Company in 2016.	All resolutions were considered and approved
13th Meeting of the Third Session of the Board of Supervisors	15 April 2016	By means of teleconference	Proposal on the appointment of Mr. Wang Huiqing as a Supervisor of the third session of the Board of Supervisors.	Considered and approved
14th Meeting of the Third Session of the Board of Supervisors	28 April 2016	By means of on-site meeting, address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing	Resolution on the first quarterly report of the Company in 2016.	Considered and approved

Meeting name	Time	Meeting form and place	Meeting motion	Status
15th Meeting of the Third Session of the Board of Supervisors	19 August 2016	By means of on-site meeting, address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing	Resolution on interim report of the Company for 2016.	Considered and approved
16th Meeting of the Third Session of the Board of Supervisors	28 October 2016	By means of on-site meeting, address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No. 228, Middle Jiangdong Road, Nanjing	1. Resolution on the third quarterly report of the Company in 2016; 2. Proposal on the election of members (non-staff representative Supervisor) of the fourth session of the Board of Supervisors.	All resolutions were considered and approved
1st Meeting of the Fourth Session of the Board of Supervisors	21 December 2016	By means of on-site meeting, address: Boardroom, Floor 2, Renaissance Nanjing Olympic Centre Hotel, No. 139, Aoti Street, Jianye District, Nanjing	Resolution on election of the Chairman of the fourth session of the Board of Supervisors.	Considered and approved

Note: Details of relevant announcements on the resolutions of the Board of Supervisors can be found on the website of Shanghai Stock Exchange (http://www.sse.com.cn), the website of Hong Kong Stock Exchange (http://www.hkexnews.hk) and our Company's website (http://www.htsc.com.cn) and *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* as well as *Securities Times*.

V. Performance of Directors

(I) Attendance of Directors at Board meetings and general meetings

	Attendance at Board meetings							Attendance at general meetings
Name of Directors	Whether or not he/she is an independent non-executive Director	Number of Board meetings requiring attendance during the year	Attendance in person	Attendance by teleconference	Attendance by proxy	Absence	Whether or not he/she failed to attend the meeting in person for two consecutive times	Times of attendance at general meetings
Zhou Yi	No	12	12	4	0	0	No	4
Sun Lu	No	6	2	2	4	0	Yes	0
Pu Baoying	No	12	9	4	3	0	Yes	1
Wang Shuhua	No	6	2	2	4	0	Yes	0
Gao Xu	No	6	4	2	2	0	Yes	1
Chen Ning	No	6	6	2	0	0	No	2
Sun Hongning	No	12	8	4	4	0	Yes	0
Zhou Yong	No	12	9	4	3	0	No	1
Cai Biao	No	11	9	4	2	0	No	3
Xu Min	No	6	5	2	1	0	No	1
Xu Qing	No	6	4	2	2	0	No	3
Bai Wei	Yes	11	9	4	2	0	No	2
Shen Kunrong	Yes	2	1	1	1	0	No	0
Chen Chuanming	Yes	10	9	3	1	0	No	4
Liu Hongzhong	Yes	12	11	4	1	0	No	2
Lee Chi Ming	Yes	12	10	4	2	0	No	2
Chen Zhibin	Yes	3	3	1	0	0	No	0
Yang Xiongsheng	Yes	9	7	3	2	0	No	2
Liu Yan	Yes	1	0	0	1	0	No	0

Explanation on failing to attend the Board meetings in person for two consecutive times

Due to business engagement, Mr. Sun Lu failed to attend the 28th, 29th & 30th meetings of the third session of the Board in person, and had authorized non-executive Director Ms. Pu Baoying in writing to vote on his behalf.

Due to business engagement, Mr. Wang Shuhua failed to attend the 28th, 29th & 30th meetings of the third session of the Board in person, and had authorized non-executive Director Ms. Pu Baoying in writing to vote on his behalf.

Due to business engagement, Ms. Pu Baoying failed to attend the 36th & 37th meetings of the third session of the Board in person, and had respectively authorized non-executive Directors Mr. Gao Xu & Mr. Chen Ning in writing to vote on his behalf.

Due to business engagement, Mr. Gao Xu failed to attend the 37th meeting of the third session of the Board and the 1st meeting of the fourth session of the Board of in person, and had authorized non-executive Director Mr. Chen Ning in writing to vote on his behalf.

Due to business engagement, Mr. Sun Hongning failed to attend the 37th meeting of the third session of the Board and the 1st meeting of the fourth session of the Board in person, and had authorized executive Director Mr. Zhou Yi in writing to vote on his behalf.

Number of Board meetings held within the year	12
Of which: number of on-site meetings	3
Number of meetings held by teleconference	4
Number of meetings held both on-site and via teleconference	5
Board meetings	All resolutions were passed unanimously by poll

(II) Objections raised by independent Directors

During the Reporting Period, no objections were raised by independent non-executive Directors to resolutions at the Board meetings or other meetings.

(III) Board of Directors and the operating management

1. Composition of the Board

According to relevant regulations of *Articles of Association* of the Company, the Board shall be composed of 13 Directors, with the number of independent Director accounting for at least 1/3 of the total number; the Board shall have one staff representative Director who is selected by the Company's staff in a democratic way via congress of workers and staff, general membership meeting or other forms and is directly allowed to enter the Board. On 21 December 2016, the non-staff representative Director of the fourth session of the Board was selected in the Company's third extraordinary general meeting in 2016. As of the Reporting Period, there were 12 members in the Board, including 1 executive Director (Zhou Yi), 6 non-executive Directors (Pu Baoying, Gao Xu, Chen Ning, Sun Hongning, Xu Qing, Zhou Yong) and 5 independent non-executive Directors (Chen Chuanming, Liu Hongzhong, Lee Chi Ming, Yang Xiongsheng, Liu Yan), and congress of workers and staff will be held as soon as possible to select one appropriate staff representative Director to perform the duty of Director in the Board.

The Directors are elected or changed via the general meeting for a term of three years, from the date on which their appointments are approved by the general meeting and their qualifications of being Directors of securities companies are obtained and approved by the CSRC or its delegated authority. Directors are eligible for re-election upon the expiration of their terms. However, the successive terms of independent non-executive Directors may not be more than 6 years. According to relevant regulations of Rule 3.13 of the Hong Kong Listing Rules, the Company received the annual written confirmation from each independent non-executive Director with regards to his/her independence. Based on these confirmations and the relevant information available to the Board, the Board continues to confirm that they are independent.

The Company covered liability insurance for Directors, Supervisors and senior executives according to the authorization of the 2014 annual general meeting, to protect them against from the compensation liabilities that may arise from performing their duties and to reasonably avoid management risk and legal risk which the Directors, Supervisors and senior management may be exposed to, and to encourage them to earnestly fulfill their duties and responsibilities.

2. *Duties and responsibilities of the Board*

The Board is the decision-making body of the Company, which is responsible to report its work to the general meeting. According to the *Articles of Associations* of the Company, the Board shall exercise the following major functions and powers: to convene general meeting and report to general meeting; to carry out the resolutions of the general meetings; to resolve on the business & investment plans of the Company; to prepare annual financial budget plan and final accounting plan of the Company; to prepare profit distribution plan and loss remedy plan of the Company; to formulate proposals on increasing or decreasing the registered capital, issuing bonds or other securities and the listing plan thereof; to formulate plans for material acquisition, purchase of shares of the Company, merger, division, dissolution or transformation of the Company; to determine, within the authority granted by the general meeting, such matters as external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned wealth management, connected transactions, etc.; to decide on the establishment of the Company's internal management organizations; to appoint or dismiss the Company's president and secretary to the Board; to appoint or dismiss the vice president, financial controllers and other senior management of the Company according to the nominations by the president, and to decide the matters on their remuneration and rewards as well as penalties; to set up the basic management system of the Company; to formulate the proposals for any amendment to the Articles of Association; to manage the Company's information disclosure; to propose to the general meeting the appointment or replacement of the accounting firms which provide audit services for the Company; to listen to the work reports of the president and review his/her work; to formulate the risk control system of the Company; to determine Directors' remunerations and distribution plan thereof; and to exercise other functions and powers authorized by laws, administrative regulations, departmental rules or the Articles of Association.

3. Duties and responsibilities of the operation management

According to the regulations of *Articles of Association* of the Company, the principal person in charge of operational management of the Company shall report the conditions of the signing and execution of material contracts, usage of fund as well as profit and loss of the Company to the Board or Board of Supervisors as required by the Board of Directors or Board of Supervisors. The principal person in charge of the operation and management refers to the Company's president, or the person in charge of the management committee or executive committee exercising the power of the president of the Company. The Company's president shall be responsible for the Board, and exercise the following functions and powers: to manage the daily business operations of the Company, organize and implement the resolutions of the Board, and report work to the Board; to formulate the development plan, annual operational & investment plans of the Company; to organize and implement the plan for the establishment of internal management structure of the Company; to prepare the plan for the setting of internal management of the Company to formulate the basic management system of the Company; to prepare the specific rules of the Company; to represent the Company to handle important external businesses and matters; to propose to the Board for the appointment or removal of the Company's vice president, financial controller, chief compliance officer, chief risk officer and other senior management; to decide to appoint or dismiss executives except for those who are appointed or dismissed by the Board; to decide the rewards and punishments, promotion and demotion, salary increase and decrease, appointment, dismissal and recruitment of staff of the Company; to temporarily handle the emergencies in business activities which shall be decided by the Board and reported to the Board after that; and to exercise other functions and powers authorized by the Articles of Association or the Board.

4. Implementation by the Board of resolutions passed at general meetings

1) On 9 October 2015, *Proposal on General Mandate for Issuance of Domestic Debt Financing Tools by the Company* was reviewed and passed at the Company's first extraordinary general meeting of the Company in 2015. According to the resolution, after being approved by *Letter on Unanimity for Listing Transfer of Subordinated Bonds of Huatai Securities Co., Ltd. in 2016* (SZH [2016] No. 1832) of Shanghai Stock Exchange, the Company issued subordinated bonds for two times during the Reporting Period, with the total amount of RMB8 billion.

2) On 9 October 2015, *Proposal on General Mandate for Issuance of Domestic Debt Financing Tools by the Company* was reviewed and passed at the first extraordinary general meeting of the Company in 2015. Pursuant to the resolution, and the Reply of the Examination and Approval on the Public Issuance of Company Bonds from Huatai Securities Co., LTD. to Qualified Investors (CSRC No. [2016]2577) by the CSRC, during the Reporting Period, company the corporate bonds phase II was issued, with a total amount of RMB14 billion.

3) On 7 June 2016, the 2015 annual shareholders general meeting of the Company considered and approved the Company's Proposal on Annual Profit Distribution for 2015. According to the resolution, during the Reporting Period, based on a total share of 7,162,768,800 on 31 December 2015, the Company distributed a total of RMB3,581,384,400.00 to all shareholders with every 10 shares in cash dividend of RMB5.00 (including tax); and all remaining undistributed profits will be distributed annually after carry-over. During the Reporting Period, the profit distribution plan was been completed.

4) On 7 June 2016, the 2015 annual general meeting of the Company considered and approved the Proposal of the Expectation of Regular Ordinary Connected Transactions in 2016 of the Company. According to the resolution, during the Reporting Period, for details of the actual performance of regular ordinary connected transactions of the Company, please refer to "Major Events" "XII. Material connected transactions" of this announcement.

5) On 7 June 2016, the 2015 annual shareholders general meeting of the Company considered and approved the Proposal of the Expectation of Proprietary Investment Quota of the Company in 2016. According to the resolution, during the Reporting Period, related business indicators of the Company were controlled within the authorized scope of the shareholders' general meeting.

6) On 7 June 2016, the 2015 annual shareholders general meeting considered and approved the Proposal of Renewing Hiring Contract with The Accounting Firm of The Company. According to the resolution, during the Reporting Period, the company continued to hire KPMG Huazhen LLP to handle 2016 annual accounting statements and the internal control auditing services for the Company and its subsidiary companies, and to issue the audit report of A shares and Internal Control Auditing Report; the Company also hired KPMG for auditing services of H Shares for the Company, and to issue audit report of H Shares.

7) On 13 September 2016, the Company considered and approved the Proposal of Providing Net Capital Guarantee for the Fully-owned Subsidiary Huatai Asset Management in the second shareholders' extraordinary general meeting of the Company in 2016. According to the resolution, during the Reporting Period, the company provided the highest quota of RMB5 billion of newly increased net capital for its fully-owned subsidiary Huatai Asset Management and promised whenever its business needs cash, the Company will unconditionally provide cash within the above quota.

(5) Training of Directors

Trainings are provided to Directors on an on-going basis. The Company attaches great importance to the ongoing training of Directors, to ensure that the Directors form an appropriate understanding of the operation of the Company and its business and they understand their duties and responsibilities as a directors as required by the CSRC, Shanghai Stock Exchange, the Hong Kong Stock Exchange and as stipulated in the Articles of Association and other relevant laws and regulatory requirements. During the Reporting Period, the Company's Directors attach great importance to updating professional knowledge and skills, to adapt to the needs of the development of the company. In addition to participation in regular training held by regulatory organizations and self-regulatory organizations and complete required ongoing trainings, the Office of the Board also prepared the Work Newsletter of the Company regularly and sent it to the Directors to enable them to understand the latest policies and regulations and industrial trends and enhance their knowledge and understanding of the culture and operation of the Company. In addition, the Company continuously improved the internal work procedures, established multi-level information communication mechanism, and set up information communication platform, in order to ensure the access to information for Directors to perform their responsibilities and constantly improve their overall performance capability.

During the Reporting Period, the main trainings of the Directors were as follows:

Director Name	Date	Organizer	Contents	Training Location
Zhou Yi	27 June 2016– 28 June 2016	Jiangsu Provincial Committee Party School	"studies on the theoretical and practical issues of party building" "	Nanjing
Pu Baoying	24 October 2016 – 28 October 2016	Jiangsu Guoxin	Corporate governance, ideal beliefs and global landscape, etc.	Nanjing
Gao Xu	24 October 2016 – 28 October 2016	Jiangsu Guoxin	Corporate governance, ideal beliefs and global landscape, etc.	Nanjing
Chen Ning	24 October 2016 – 28 October 2016	Jiangsu Guoxin	Corporate governance, ideal beliefs and global landscape, etc.	Nanjing
Sun Hongning	27 June 2016 – 28 June 2016	Organization Department of Jiangsu Provincial Committee of the Communist Party of China	The third phase of leader training on party constitution and party rules, speech training class of the learning series	Nanjing

Director Name	Date	Organizer	Contents	Training Location
Xu Qing	June 2016	Organization Department of Jiangsu Provincial Committee of the Communist Party of China	"Economic Internationalization" Overseas Exchange and Training Program"	UK
Zhou Yong	17 June 2016	Jiangsu SOHO Holdings Group Co., Ltd.	Counseling on 13th five-year development strategy plan	Nanjing
Chen Chuanming	17 December 2016–18 December 2016	Shanghai Securities Regulatory Bureau	The latest regulatory policies, etc.	Shanghai
Liu Hongzhong	12 April 2016	School of Economics, Fudan University	The structure and functions of investment bank in post-crisis era	Shanghai
	4 June 2016	School of Economics, Fudan University	Investment opportunities from the transformation of Chinese economy	Shanghai
	18 October 2016	School of Economics, Fudan University	QFII, QDII and global asset allocation	Shanghai
Lee Chi Ming	19 January 2016	The Association of Chartered Certified Accountants (Hong Kong)	Environmental, social and governance reporting — abidance and overtaking	Hong Kong
	23 February 2016	SFC	2016 Forum of Securities and Futures Commission	Hong Kong
	8 March 2016	KPMG (Hong Kong)	KPMG Independent Director Comprehensive Forum	Hong Kong
	31 August 2016	The Association of Chartered Certified Accountants (Hong Kong)	Reply to accusation of fraud of listed company	Hong Kong
	5 December 2016	KPMG (Hong Kong)	KPMG Independent Director Comprehensive Forum	Hong Kong

Director Name	Date	Organizer	Contents	Training Location
Yang Xiongsheng	4 June 2016	The Internal Control Specialized Committee of the Accounting Society of China	2016 Academic Annual Conference and Internal Control Symposium of the Internal Control Specialized Committee of the Accounting Society of China	Nanjing
	26 August 2016	Chinese Academy of Fiscal Sciences, the Accounting Society of China	2016 Academic Forum on the Reform and Development of the Chinese Accounting Industry	Beijing
	3 November 2016	China Association of Chief Financial Officers, the Society of Public Finance of China	2016 Management Accounting Forum	Beijing
Liu Yan	10 March 2016	Tian Yuan Law Firm (Beijing)	Case study amd analysis on the backdoor listing of Health 100	Beijing
	27 October 2016	Tian Yuan Law Firm (Beijing)	Analysis on the concerned issue of the review of merger, acquisition and reorganization of listed company	Beijing

(IV) Chairman and President

Chairman and President are two different positions, and according to the provisions of the Articles of Association, the chairman is the legal representative of the Company, responsible for managing the operations of the Board, ensuring that the Board acts in compliance with the best interests of the Company, ensuring the effective operation of the Board, ensuring that the Board has fulfilled its responsibilities, ensuring that discussions about all significant matters are held so that Directors get accurate, timely and explicit data. President manages the daily work of the Company, attends Board meetings, reports to the Board and exercises the functions and powers according to the responsibility scope of the president.

On 21 December 2016, in the first session of the fourth Board meeting, the Company elected Mr. Zhou Yi as the fourth chairman of the Board and continued to hire Mr. Zhou Yi as the president of the company. According to provisions of A.2.1 of "Corporate Governance Code", the roles of the chairman and chief executive shall be different and shall not be assumed by the same person at the same time. Given the fact that Mr. Zhou Yi has been supervising daily operation and management of the Company, formulating strategies of the Company and its business, nominating and determining senior management personnel of the Company since he joined the Group in August 2006, the Board believes that Mr Zhou Yi simultaneously assuming the duty of effective management and business

development is in the best interest of the Company. As a result, the Board thinks that the Company's arrangement is appropriate even in the circumstance that it contradicts the provisions of A.2.1 of "Corporate Governance Codes". Despite the above situations, the Board thinks that this management structure of the company is effective and has enough checks and balances.

(V) Non-executive Directors

As of the end of the Reporting Period, the Company has 6 non-executive Directors, 5 independent non-executive Directors. For details of their terms of office, please refer to "Directors, Supervisors, Senior Management and Staff", "I. Changes in Shareholding Structure and Remuneration" and "(I) Changes in shareholding structure and remuneration of current and retired Directors, Supervisors and senior management during the Reporting Period" in this announcement.

(VI) Performance of duties of Independent Non-Executive Directors

1. Regular reporting of relevant matters

In the annual report compilation process, independent non-executive Directors of our Company have performed all the responsibilities according to the requirements of the CSRC and the provisions of the Work System of Independent Directors of the Company.

On 1 February 2016, in the first meeting of the Audit Committee of the third session of Board in 2016, the Audit Committee listened to the report of the auditing scope, main members of the professional service team, the overall arrangements for the auditing, the auditing plan and focus, the audit work of internal control of the Company in 2015 by personnel from KPMG Huazhen, LLP. Three of the four members in the Audit Committee are independent non-executive Directors, who put forward opinions and suggestions to the supplement and perfection of the 2015 Annual Audit Plan of the Company from different perspectives in their roles as members of the Audit Committee and as independent non-executive Directors.

On 25 February 2016, in the second meeting of the Audit Committee of the third session of the Board in 2016, the Audit Committee considered and approved the Proposal on the 2015 Annual Audit Plan of the Company. Three of the four members in the Audit Committee are independent non-executive Directors, who examined the 2015 Annual Audit Plan of the Company from different perspectives in their roles as members of the Audit Committee and as independent non-executive Directors.

On 28 March 2016, in the third meeting of the Audit Committee of the third session of the Board, the Audit Committee examined the 2015 Annual Report of the Company, the Internal Control Evaluation Report of 2015, the performance of duties of the Audit Committee in 2015 and the Internal Auditing Plan of 2016, etc., and listened to the report on the annual internal auditing work of the Company in 2015. Three of the four members in the Audit Committee are independent non-executive Directors, who examined relevant proposals and gave opinions from different perspectives in their roles as members of the Audit Committee and as independent non-executive Directors.

On 12 August 2016, in the fifth meeting of 2016 of the Audit Committee of the third session of the Board, the Audit Committee listened to the report of KPMG Huazhen LLP on the interim review of H Shares in 2016 and 2016 Annual Auditing Plan of the Company. Two of the three members in the Audit Committee are independent non-executive Directors, who discussions, exchanged views and made comments and suggestions from different perspectives in their roles as members of the Audit Committee and as independent non-executive Directors.

2. *Consideration about connected transactions*

On 29 March 2016, all the independent non-executive Directors of the Company gave independent opinions on *Plan for Proposal on the Anticipation of Ordinary Connected Transactions of the Company* for 2016. They were of the opinion that the relevant connected transactions were fair with reference to the market price for pricing the transactions without compromising the interests of the Company and other shareholders; the connected transactions were all derived in the ordinary operation of the Company and would help carry out the businesses of the Company and bring some income to the Company; the procedures for approval for relevant connected transactions complied with the laws, regulations and normative documents as well as *Articles of Association* of the Company and *Decision-making System for Connected transactions*.

(3) Other performance duties

On 27 January 2016, all the independent non-executive Directors of the Company gave independent opinions on the matter of nominating Mr Chen Chuanming and Mr Yang Xiongsheng as nominees of the independent non-executive Directors of the third session of the Board. On 29 March 2016, all the independent non-executive Directors of the Company gave special clarification and independent opinions on external guarantees carried out in 2015, gave special clarification and independent opinions on fund intercourse between the Company and the controlling shareholders & other related parties, gave independent opinions on the Proposal on Profit Distribution Plan of the Company in 2015, gave independent opinions on the internal control evaluation report of the Company in 2015, gave independent opinions on continuing the employment of the accounting firm and gave independent opinions on changes in accounting estimates of the Company in 2015. On 15 April 2016, all the independent non-executive Directors of the Company gave independent opinions on the matter of nomination of Mr. Gao Xu, Mr. Chen Ning and Mr. Xu Qing as nominees of the independent non-executive Directors of the third session of the Board. On 28 October 2016, all the independent non-executive Directors of the Company gave independent opinions on the matter of nomination of the independent non-executive Directors of the fourth session of the Board. On 21 December 2016, all the independent non-executive Directors of the Company gave independent opinions on the matter of employment of senior management personnel for the Company by the fourth sessions of Board.

VI. IMPORTANT ADVICE AND RECOMMENDATIONS FROM THE SPECIAL COMMITTEES OF THE BOARD IN PERFORMING DUTIES DURING THE REPORTING PERIOD AND DISCLOSURE OF DISSENTING EVENTS

The Board has established the Development Strategy Committee, Compliance and Risk Management Committee, Remuneration and Appraisal Committee, Nomination Committee and Audit Committee.

(I) Development Strategy Committee of the Board

The major duties of the Development Strategy Committee of the Board include: understanding and grasping the complete situation of the Company's operation; understanding, analyzing and grasping the current situation of the international and domestic industry; understanding and grasping the relevant policies of the State; studying the short-term, medium-term and long-term development strategies of the Company or relevant issues; providing consultancy advice on the Company's long-term development strategies, major investments, reforms and other major decisions; considering and approving the special study report on the development strategy; publishing daily research reports in regular or irregular manner; and other duties assigned by the Board.

During the Reporting Period, the Development Strategy Committee of the Board convened a total of two meetings, the details of which were as follows:

1. The Development Strategy Committee of the third session of the Board convened the first meeting of 2016 by way of teleconference on 29 June 2016 and considered and approved the Resolution on the 13th Five-Year Development Strategy Plan for the Company.

2. The Development Strategy Committee of the fourth session of the Board convened the first meeting of 2016 by way of teleconference on 30 December 2016 and considered and approved the Resolution on the Work Summary for 2016 and Work Thoughts for 2017.

Attendance of members of the Development Strategy Committee for meetings in the Reporting Period:

Name	Position	Attendance in person/Number of meetings requiring attendance
Zhou Yi (Chairman)	Executive Director	2/2
Gao Xu	Non-executive Director	2/2
Chen Chuanming	Independent non-executive Director	1/1
Liu Hongzhong	Independent non-executive Director	1/1

(II) Compliance and Risk Management Committee of the Board

The main duties of the Compliance and Risk Management Committee include: considering and approving the general objective and basic policies of compliance management and risk management, and putting forward some suggestions; considering and approving the establishment of the institution for compliance management and risk management, and its duties, and putting forward some suggestions; evaluating the risk for major decisions to be considered and approved at the Board meeting and solutions to such major risks, and putting forward some suggestions; considering and approving the compliance report and risk evaluation report required to be considered and approved by the Board, and putting forward some suggestions; and such other duties as stipulated in the Articles of Association.

During the Reporting Period, the Compliance and Risk Management Committee of the Board convened a total of three meetings, the details of which were as follows:

1. The Compliance and Risk Management Committee of the third session of the Board convened the first meeting of 2016 by way of teleconference on 28 March 2016, and considered and approved the Resolution on the Annual Compliance Report of 2015 of the Company, the Resolution on the Assessment Report on the Internal Control of the Company for 2015.

2. The Compliance and Risk Management Committee of the third session of the Board convened the second meeting of 2016 in Nanjing on 18 August 2016, and considered and approved the Resolution on the Interim Compliance Report of the Company in 2016. Pu Baoying, the chairman of the committee and a non-executive Director, Xu Qing, a member of the committee and a non-executive Director, and Cai Biao, a member of the committee and a non-executive Director, inquired and discussed issues such as management on ordinary marketing personnel and brokers, internal audit process for the compliance report, operation of the client revisiting mechanism, assignment of work for the compliance and legal department and risk management department as well as effective evaluation and improvement on compliance. The compliance director of the company Li Yun, general manager of the compliance and legal department Zhou Xiang and general manager of the risk management department Wang Chong made explanations and descriptions respectively. At the meeting, while fully recognizing the achievement of compliance and risk Management work of the Company, Xu Qing, a member of the committee and a non-executive Director, reminded that the Company should pay more attention to relevant regulations on supervision, try to communicate in advance, educate clients to be good investors, strictly follow the supervision regulations when developing new clients, check and be strict in selecting clients to prevent those unqualified from becoming the client. Pu Baoying, the chairman of the committee and a non-executive Director, reminded that compliance is the bottom line and risk management is the life line. Although the Directors, Supervisors and senior management will be punished in case of any compliance failure, it will also cause a great adverse impact on the development of the Company. Therefore, compliance is the fundamental guarantee of the interest of both the Company and its shareholders, and it is suggested that the Company should enhance the awareness of compliance and risk management among new staff so as to guard the development of the businesses of the Company.

3. The Compliance and Risk Management Committee of the third session of the Board convened the third meeting of 2016 by way of teleconference on 6 December 2016, and considered and approved the Resolution on the Determination of the Function of Capital Operation Department and the Adjustment of Functions of Relevant Departments.

Attendance of members of the Compliance and Risk Management Committee at meetings held during the Reporting Period:

Name	Position	Attendance in person/Number of meetings requiring attendance
Sun Lu	Former non-executive Director	1/1
Pu Baoying (Chairman)	Non-executive Director	2/2
Cai Biao	Former non-executive Director	3/3
Zhou Yong	Non-executive Director	2/3
Xu Min	Former non-executive Director	1/1
Xu Qing	Non-executive Director	2/2

(III) Auditing Committee of the Board

The main duties of the Audit Committee of the Board include: monitoring the annual audit and making judgment on the truthfulness, accuracy and integrity of the audited information contained in the financial reports before submitting the reports to the Board; monitoring the integrity of the Company's financial statements and annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in them. The committee shall pay special attention to the following: changes in accounting policies and practices; matters concerning significant judgment; significant adjustments due to the audit, assumptions of on-going operations of the Company and its qualified opinions, as well as the compliance with the accounting standards and the Listing Rules or relevant laws and regulations of the listing place where the financial reporting shall be made. The committee shall propose the engagement or removal of external auditors, supervise the performance of external auditors and ensure coordination between internal and external auditors. In addition, the Audit Committee shall also ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and shall review and monitor its effectiveness; consider and make recommendations on the appointment, reappointment, remuneration and terms of engagement of external auditors or any matters regarding their resignation or dismissal. The Audit Committee shall act as the main representative that oversees the Company's relationship with external auditors; discusses the nature and scope of the audit and reporting obligations with external auditors before the commencement of audit and reviews of the effectiveness of the audit procedure and the objectivity and independence

of external auditors from time to time; reviews the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or monitoring system and the management's response thereto. The Audit Committee shall ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; review the Company's financial controls, risk management and internal control system and the Group's financial and accounting policies and practices; review the risk management and internal control system with management to ensure that management has performed its duty so as to have an effective internal control system. The Audit Committee shall review major investigation findings on risk management and internal control matters as well as management's response to these findings as delegated by the Board or on its own initiative; report the above matters to the Board; review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions; study other programs defined by the Board; and perform other duties stipulated by the Articles of Association and the Listing Rules or laws and regulations of the places where the Company is listed.

During the Reporting Period, the Audit Committee of the Board convened seven meetings, the details of which were as follows:

1. The first meeting of the Audit Committee of the third session of the Board for 2016 was convened in the way of video and on-site conference on 1 February 2016, at which KPMG Huazhen LLP reported their audit work scope for 2015, key members of the professional team, general arrangement of auditing, auditing plan and focused areas, internal control. Their personnel discussed and communicated with the Audit Committee, and the draft of audit report for 2015 of the Company was reviewed. At the meeting, Lee Chi Ming, the chairman of the committee and an independent Director, inquired the auditing status of the internal control and the coverage rate of samples of internal control auditing of the Company, and proposed the auditing personnel to closely follow the regulatory requirements on the method on risk disclosure and Report Guide on Environment, Society and Governance (ESG) by the Hong Kong Stock Exchange. after listening to the explanation and reporting of relevant personnel. Pu Baoying, a member of the committee and a non-executive Director, inquired how to carry out risk management for the management and operation process of the first-class investment company and second-class investment company during the auditing process and gave the suggestions of making preparations and preventing risks in advance after listening to the explanation and reporting. Liu Hongzhong, a member of the committee and a non-executive Director, inquired on issues of credit risk in the turbulent stock market in 2015. The auditing personnel fully explained and eliminated the concerns of the members. Liu Zhibin, a member of the committee and a non-executive Director, reminded the auditing personnel that they should pay attention to new risk points after listening to their reporting.

2. The second meeting of the Audit Committee of the third session of the Board for 2016 was convened by the way of teleconference on 25 February 2016, and considered and approved the Resolution on the Auditing Plan of the Company for 2015.

3. The third meeting of the Audit Committee of the third session of the Board for 2016 was convened in Nanjing on 28 March 2016, and considered and approved the Financial Final Report of the Company in 2015, the Financial Budget Report of the Company in 2016, the Proposal on Profit Distribution of the Company in 2015, the Proposal on Annual Report of the Company in 2015, the Proposal on Internal Control Assessment Report of the Company in 2015, the Report on Performance of Duties by the Audit Committee of the Board of the Company in 2015, the Proposal on the Increase of the Audit Service Fee of the Company in 2015, the Proposal on Renewal of the Company's Accountant, the Proposal on Estimating the Ordinary Connected Transactions of the Company in 2016, the Proposal on Request for Reviewing the Special Report on the Estimated Accounting Changes of the Company in 2015 and the Internal Audit Work Plan of the Company in 2016 and a report on the internal audit work of the Company in 2015 was given. When reviewing the Financial Final Report of the Company in 2015, Lee Chi Ming, a member of the committee and an independent non-executive Director, asked about cost control since the operation and management expense was higher than the budget, and Liu Hongzhong, a member of the committee and a non-executive Director, asked about the systematic risk of the investment banking industry and the average level in the industry, since the investment banking business did not reach the budget. The general manager of the financing planning department of the Company Fei Lei gave detailed explanations. When reviewing the Financial Budget Report of the Company in 2016, Liu Hongzhong thought that the financial budget was conservative in general because the growth of M2, which was estimated to be 11%, was lower than that in the government work report. For this issue, Fei Lei explained that the financial budget of the Company was controlled based on the assumption of neutrality. When reviewing Proposal on Annual Report of the Company in 2015, Lee Chi Ming, the chairman of the committee, reminded that attention must be paid to relevant regulatory requirements with respect to the disclosures in the annual report and ESG report. Relevant auditors of KPMG Huazhen LLP explained that the Company would make disclosures as required by the ASBE, CSRC and the Shanghai Stock Exchange in terms of A shares and no major change occurred to the disclosure; the Company would make disclosures following the IFRS and the Listing Rules as well as strictly following relevant stipulations of the Hong Kong Stock Exchange; it has had new stipulations for ESG and risk management in 2016 and KPMG Huazhen LLP will assist the Company to abide by relevant stipulations. When reviewing the Internal Audit Work Plan of the Company in 2016, the committee chairman Lee Chi Ming inquired the number of personnel for internal audit on how the overseas business was audited and the general manager of the Inspection Department Li Jie gave detailed explanations.

4. The fourth meeting of the Audit Committee of the third session of the Board for 2016 was convened in the way of teleconference on 27 April 2016, and considered and approved the Resolution on the First Quarterly Report of the Company in 2016.

5. The fifth meeting of the Audit Committee of the third session of the Board for 2016 was convened in the way of teleconference and on-site meeting on 12 August 2016. Yang Xiongsheng, the independent non-executive Director and a member of the committee, authorized and delegated Lee Chi Ming, the independent Director and chairman of the committee, to attend the meeting on his behalf. Staffs of the KPMG Huazhen LLP gave the interim review work report for H Shares of the Company in 2016 and auditing plan for the annual report of 2016 at the meeting. The staffs of KPMG Huazhen LLP reported the scope, time schedule, review plan, concerned domains and the result of the interim review to the Audit Committee at the meeting. Lee Chi Ming, the independent Director and chairman of the committee, and Chen Ning, the non-executive Director and a member of the committee, inquired the impact of the turbulence of the securities market in the first half of 2016 on the Company, key domains for internal control audit and worksheet for internal control audit, etc. and the general manager of the financial planning department of the Company Fei Lei and the staff of KPMG Huazhen LLP provided explanations and answers to all their questions.

6. The sixth meeting of the Audit Committee of the third session of the Board for 2016 was convened in Nanjing on 18 August 2016, and considered and passed the Proposal on the Financial Statement in the First Half Year of the Company in 2016 and Proposal on Interim Report of the Company in 2016. At the meeting, Chen Ning, the non-executive Director and a member of the committee, was very concerned about the consolidated statement of cash flow of the Company and inquired the reasons of "cash payment for other business activities" was much more than that of the previous year and "cash paid to the staff and for the staff" increased compared with that of the same period of last year. The general manager of the Financial Planning Department Fei Lei explained that the reason for the first issue was that the consolidated assets management plan was included and the reason for the second issue was that the payment to staff in 2015 was delayed to 2016 and the reason why the total payment was increased was that the performance of the Company in 2015 was better. Yang Xiongsheng, the independent non-executive Director and a member of the committee, inquired issues such as the difference on disclosures between the Hong Kong Stock Exchange and Shanghai Stock Exchange, special requirements of the Hong Kong Stock Exchange. on accounting treatment and disclosure, how the bailout funds in the second half of 2015 was calculated as well as the difference in the calculation standard between net assets and net capital of the Company. After getting the detailed explanations of the general manager of the financial planning department Fei Lei and relevant personnel of KPMG Huazhen LLP, he requested the audit personnel to pay close attention to the items that are easy to draw the attention of regulatory authorities and the audit work must comply with relevant stipulations of the regulatory departments both in Hong Kong and Mainland China. The independent non-executive Director and committee chairman Lee Chi Ming inquired issues such as the internal control audit of relevant risk management and liquidity management and the general manager of the financial planning department Fei Lei gave explicit explanations on these issues.

7. The seventh meeting of the Audit Committee of the third session of the Board for 2016 was convened in Nanjing on 27 October 2016, and considered and approved the Proposal on the Financial Statement of the Company from January to September of 2016. At the meeting, the independent non-executive Director and committee chairman Lee Chi Ming, the independent non-executive Director and committee member Yang Xiongsheng and the non-executive Director and committee member Chen Ning inquired the issues such as the increase of receivables in the balance sheet, the difference between the budget and the actual condition, whether there were classical data for judging the asset and liability, how the policy of replacing business tax with value-added tax affected the Company's management and whether the CSRC required the Company to submit relevant statements. The general manager of the financial planning department Fei Lei gave explicit explanations on these issues.

Attendance of members of the Audit Committee for meetings in the Reporting Period:

Name	Position	Attendance in person/Number of meetings requiring attendance
Lee Chi Ming (Chairman)	Independent non-executive Director	7/7
Pu Baoying	Non-executive Director	4/4
Liu Hongzhong	Independent non-executive Director	4/4
Chen Zhibin	Former independent non-executive Director	3/3
Chen Ning	Non-executive Director	3/3
Yang Xiongsheng	Independent non-executive Director	3/4

(IV) Nomination Committee of the Board of Directors

The main duties of the Nomination Committee of the Board include: reviewing the structure, headcount and composition (including skills, knowledge and experience) of the Board at least once each year and making recommendations regarding any proposed changes in the Board in line with the Company's strategies; considering and making suggestions on the criteria and procedures for selection of Directors and senior management members; searching for qualified candidates for Director and senior management, and selecting from the list nominated by Directors or making recommendation to the Board; reviewing and making suggestions on the qualification requirements for Director and senior management; assessing the independence of independent non-executive Directors; making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors (in particular the chairman and the president); and other responsibilities stipulated in the Articles of Association or as required by the Board.

During the Reporting Period, the Nomination Committee of the Board of the Company convened four meetings,

1. The first meeting of the Nomination Committee of the third session of the Board for 2016 was convened by teleconference on 26 January 2016. The Proposal on Selecting Mr Chen Chuanming as Independent Non-executive Director of the third Session of the Board of Directors of the Company and Proposal on Selecting Mr Yang Xiongsheng as Independent Non-executive Director of the third Session of the Board of Directors of the Company were considered and approved at the meeting.

2. On 14 April 2016, the Nomination Committee of the third session of the Board of Directors held the second meeting for 2016 by teleconference and the Proposal on the Selecting the Non-executive Directors of the 3rd session of Board of Directors of the Company was considered and approved.

3. On 27 October 2016, the third meeting of the Nomination Committee of the third session of the Board of Directors for 2016 was held by teleconference and the Proposal on Selecting the Non-independent Directors of the fourth session of the Board of Directors of the Company and the Proposal on Selecting the Independent Directors of the fourth session of the Board of Directors of the Company were considered and approved.

4. On 20 December 2016, the fourth meeting of the Nomination Committee of the third session of the Board of Directors for 2016 was held by teleconference and the Proposal on Employing Senior Management Personnel for the Company was considered and approved.

Attendance of the members of the Nomination Committee for meetings during the Reporting Period was as follows:

Name	**Position**	**Attendance in person/Number of meetings requiring attendance**
Bai Wei (Former chairman)	Former independent non-executive Director	4/4
Sun Hongning	Non-executive Director	4/4
Liu Hongzhong	Independent non-executive Director	4/4
Chen Chuanming (current chairman)(Note 1)	Independent non-executive Director	/
Liu Yan	Independent non-executive Director	/

Note 1: Mr. Chen Chuanming and Ms. Liu Yan have been our independent non-executive directors and members of Nomination Committee since 21 December 2016. The Nomination Committee has not convened any meeting since their appointment.

(V) Remuneration and Appraisal Committee of the Board

The main duties of the Remuneration and Appraisal Committee include: reviewing and providing opinions on the appraisal and remuneration management system for Directors and senior management, and making recommendations to the Board on the

Company's overall policy and structure for remuneration of the Directors and senior management, and on the establishment of a formal and transparent procedure to develop remuneration policy; reviewing and approving the management' remuneration proposals with reference to the Board's corporate goals and objectives; conducting assessment on and making recommendations to the Directors and senior management: making recommendations on the remuneration packages, including benefits in kind, pensions and compensation payments (including any compensation payable for loss or termination of their appointment), for certain executive Directors and senior management, and making recommendations to the Board on the remuneration of non-executive Directors; considering salaries paid by comparable companies, time commitment and responsibilities and engagement condition elsewhere in the Group; reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the relevant contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be fair and not be excessive; reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be reasonable and appropriate; ensuring that no Director or any of his associates is involved in determining his/her own remuneration; and other responsibilities stipulated in the Articles of Association.

The Remuneration and Appraisal Committee of the Board of Directors held two meetings in the Reporting Period and the detailed information is as follows:

1. On 28 March 2016, the Remuneration and Appraisal Committee of the third session of the Board held its first meeting for 2016 in Nanjing. Director Sun Hongning authorized the independent non-executive Director and committee chairman Bai Wei to attend the meeting. Report on the Performance Appraisal and Remuneration of Directors of the Company in 2015 and Report on Responsibilities Fulfillment, Performance Appraisal and Remuneration for Senior Management Personnel of the Company in 2015 were considered and approved. At the meeting, independent non-executive Director and committee chairman Bai Wei inquired on issues such as remuneration restriction by the Company according to the policy, remuneration restriction conditions of other companies in the industry, remuneration restriction conditions of fund companies and the assessing methods of KPI values. General manager of the HR Department Zhang Hui and vice-general manager Sun Yan gave explicit explanations on these issues respectively. Independent non-executive Director and committee member Liu Hongzhong raised a question on why the resigned independent non-executive Director still performed duties in the Company in December 2015 and the securities agent Zhao Yuankuan gave explanations to eliminate the doubt according to the regulatory stipulations and Articles of Association.

2. On 22 September 2016, the second meeting of the Remuneration and Appraisal Committee of the third session of the Board for 2016 was held by teleconference and the Proposal on Plan and Target of Performance of Senior Management Personnel of the Company in 2016 was considered and approved.

Attendance of members of the Remuneration and Appraisal Committee for meetings during the Reporting Period:

Name	Position	Attendance in person/Number of meetings requiring attendance
Bai Wei (Former chairman)	Former independent non-executive Director	2/2
Sun Hongning	Non-executive Director	1/2
Liu Hongzhong	Independent non-executive Director	2/2
Chen Chuanming (current chairman)[Note 1]	Independent non-executive Director	/
Liu Yan	Independent non-executive Director	/

Note 1: Mr. Chen Chuanming and Ms. Liu Yan have been our independent non-executive directors and members of Nomination Committee since 21 December 2016. The Nomination Committee has not convened any meeting since their appointment.

VII. PERFORMANCE OF DUTIES OF SUPERVISORS

The Board of Supervisors is a supervisory body of the Company and shall be accountable to the general meeting. As required by the Company Law and Articles of Association, the Board of Supervisors is responsible for monitoring the Company's financial activities and internal control, and overseeing the legality and compliance of the performance of duties by the Board, the management and its members.

For the year 2016, in strict compliance with the relevant requirements of the Company Law, the Securities Law, the Articles of Association and the Rules of Procedures for the Board of Supervisors, the Board of Supervisors of the Company earnestly performed its duties as required by law and effectively monitored the Company's financial conditions, the legality and compliance of the Board's significant decisions and the performance of duties by the management, and safeguarded the legitimate rights and interests of the Company and its shareholders acting in the spirit of being accountable to all the shareholders.

(I) Performance of duties of Supervisors

During the Reporting Period, the Board of Supervisors of the Company convened 6 meetings. For details, please refer to "Corporate Governance Report" "IV. Condition of the meeting of the Board of Supervisors during the Reporting Period" of this section.

All the members of the Board of Supervisors attended the meetings of Board of Supervisors, Board meetings and the general meetings during the Reporting Period as follows:

		Conditions for attending the Board of Supervisors							
Name of supervisor	Position	Number of meetings of Board of Supervisors requiring attendance in the year	Attendance in person	Attendance in the way of teleconference	Attendance by proxy	Absence	Whether or not he/she failed to attend the meeting in person for two successive times	Attendance at Board meeting in the year	Attendance at the general meeting
Yu Yimin	Chairman of the Board of Supervisors	6	5	1	1	0	No	5	2
Gao Xu	Supervisor	3	1	1	2	0	No	0	1
Wang Huiqing	Supervisor	3	1	0	2	0	Yes	2	1
Du Wenyi	Supervisor	6	3	1	3	0	No	2	0
Song Weibin	Supervisor	5	3	1	2	0	Yes	3	3
Liu Zhihong	Supervisor	6	5	1	1	0	No	6	4
Peng Min	Employee Supervisor	6	6	1	0	0	No	8	4
Zhou Xiang	Employee Supervisor	6	5	1	1	0	No	7	4
Zhang Hui	Employee Supervisor	5	5	1	0	0	No	6	4
Meng Qinglin	Employee Supervisor	1	1	0	0	0	No	1	1

Number of meetings of Board of Supervisors convened during the year	6
Of which: number of meetings held on-site	5
number of meetings in the way of teleconference	1
Number of meetings held on-site and in the way of teleconference	0

(II) Independent opinions of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened 6 meetings in total in the whole year, at which 14 proposals and reports were considered. The Supervisors sat in all the Board meetings and general meetings of the Company as non-voting delegates, monitored the decision-making process of the Board on material matters on a real-time basis, and kept abreast of the management's implementation of the decisions made by the Board through carefully reading the reports of the Company, including Work Newsletter

(monthly) and Brief Report on Audit Work (quarterly). On this basis, the Board of Supervisors gave independent opinions on the Company's relevant matters as follows:

1. For the legal operation of the Company: during the Reporting Period, the Company was under legal operation in compliance with relevant laws and regulations such as the Company Law, the Securities Law and the Articles of Association as well as the requirements of the Company's systems. Major operational decisions of the Company were reasonable, and the decision-making procedures were lawful. The Company established a relatively sound internal management system and internal control system, under which various regulations were effectively implemented. On 28 November 2016, the Company received a Written Decision of Administrative Penalty from CSRC which conducted an investigation on the illegal and irregular actions of the Company by not examining and investigating the real identities of clients. Then, it instructed the Company to make corrections, sounded a note of warning, confiscated illegal gains of RMB18,235,275.00 and fined RMB54,705,825.00. The Company has finished the rectification after receiving the Advance Notice on Administrative Penalty from the CSRC in September 2015; besides, the Company included the illegal gains and penalty concerning this case in the profit and loss of 2015 in full amount. Therefore, this Written Decision of Administrative Penalty had no major impact on the financial condition of the Company in 2016 and in the future. The termination of this case eliminated the uncertainties that the Company was faced with and it was helpful to the development of the Company in the future. The Board of Supervisors found no conducts violating laws, regulations, Articles of Association or damaging the interests of the Company and its shareholders made by Directors and senior management of the Company when performing their duties. During the Reporting Period, there were no material risks in the Company.

2. For the financial aspect: during the Reporting Period, Supervisors of the Company regularly read the main financial information on the operation of the Company in every month, convened meetings of the Board of Supervisors to review the quarterly reports, semi-annual reports, annual financial reports, annual evaluation reports on internal control and other documents of the Company, and checked the business and financial conditions of the Company. The Board of Supervisors believed that the financial report of the Company for 2016 had been audited by KPMG Huazhen LLP which had issued a standard audit report without qualified opinions. The Company's financial statements were prepared in compliance with the relevant requirements of the ASBE, which truly reflected the financial conditions and operating results of the Company. Regular reports were prepared and reviewed in compliance with relevant laws, regulations and various requirements of the CSRC, the contents of which were true, accurate and complete to reflect the actual conditions of the Company.

3. For the implementation of the registration, management and confidentiality system for insider information holders of the Company: during the Reporting Period, the Company managed to carry out the registration, management, disclosure and filing of insider information and kept the confidentiality thereof in accordance with the requirements of the system, and continued to optimize the working procedures. There were no incidents found in the Company in violation of insider information holders' obligations for registration, management and confidentiality.

4. During the Reporting Period, the Company's related connected transactions were fair and reasonable, and no incidents of damaging the rights and interests of the Company and its shareholders were found in the Company. When considering related matters, independent Directors of the Board of the Company gave independent opinions and related Directors abstained from voting, the procedure of which was legal and valid.

5. As approved by the CSRC, the Company completed IPO of H Shares in 2015. Proceeds from the issuance of H Shares were verified by KPMG Huazhen LLP, and KPMG Huazhen Yanzi No. 1501031 capital verification report was issued. According to the capital verification report issued by KPMG Huazhen LLP, the net amount of funds raised through IPO of H Shares of the Company in 2015 amounted to RMB30,587,689,604.94 after deducting related listing expenses, and proceeds raised amounted to RMB30,015,054,696.76 after deducting the underwriting and issue fees. As of the end of the Reporting Period, in addition to the total proceeds from the IPO of H Shares, the Company obtained a total interest income and exchange gains and losses of RMB81,321,752.25. As of the end of the Reporting Period, an accumulated amount of RMB29,968,849,951.28 was used out of the proceeds from the IPO of H Shares (including interests of proceeds raised and exchange gains and losses).

   As of the date of this Annual Results Announcement for 2016, the proceeds received by the Company from the IPO of new shares for listing on the Hong Kong Stock Exchange and from the issuance of new shares due to the partial exercise of the over-allotment option were used as follows: RMB18,352,613,762.96 was used for the expansion of capital-based intermediary businesses including margin financing and securities lending, RMB3,058,768,960.49 was used for the expansion of investment and trading business, RMB3,058,768,960.49 was used to increase the capital of Huatai Zijin Investment and Huatai Asset Management, RMB3,058,768,960.49 was used for expanding overseas business, and RMB2,439,929,306.85 was used as working capital and for other general corporate purposes. In addition to the use of proceeds above, the remaining proceeds of the Company were approximately RMB700,161,405.91 (including interests of proceeds raised and exchange gains and losses), which were not utilized yet and deposited into the account opened by the Company in the bank. As of 31 December 2016, the intended use of the proceeds raised from the issuance of H shares of the Company was in line with that disclosed in the prospectus with no change. Based on the development strategy, market conditions and the intended use of the proceeds raised from the issuance of H Shares, the Company will further utilize the proceeds raised from the issuance of H Shares.

6. During the Reporting Period, the Company has successfully launched two tranches of subordinated bonds of RMB8 billion, two tranches of corporate bonds of RMB14 billion, 65 tranches of structured notes with an aggregate amount of RMB11.615 billion. As of 31 December 2016, the scale of stock of structured notes was RMB6.521 billion. The amount of proceeds raised was used to replenish the Company's working capital, which was consistent with the disclosure in the prospectus.

7. Written review opinions on the annual results announcement of the Company for 2016 prepared by the Board of Directors were as follows:

   The annual results announcement of the Company for 2016 was prepared and reviewed in compliance with the relevant laws, regulations and requirements of regulatory authorities, the contents of which were true, accurate and complete and could reflect the actual conditions of the Company.

8. The Board of Supervisors of the Company reviewed the Assessment Report on Internal Control of the Company for 2016, and had no objections to the contents therein.

VIII. RISKS FOUND BY THE BOARD OF SUPERVISORS IN THE COMPANY

During the Reporting Period, the Board of Supervisors of the Company had no objections towards the matters under supervision during the Reporting Period.

IX. EXPLANATIONS ON THE COMPANY'S INABILITY TO ENSURE INDEPENDENCE AND OPERATE INDEPENDENTLY FROM ITS CONTROLLING SHAREHOLDER IN RESPECT OF BUSINESS, STAFF, ASSETS, ORGANIZATION AND FINANCE

The shareholding structure of the Company is relatively decentralized without controlling shareholders. Since its inception, the Company has been operating in strict compliance with the relevant laws and regulations including the Company Law and the Securities Law as well as the requirements of the Articles of Association. The Company is completely separate from its shareholders in respect of business, staff, assets, organization and finance, owns a complete business system and is capable of operating independently in the market.

1. Information about the independence of business

In accordance with the requirements of the Company Law and the Articles of Association, the Company conducts business on its own pursuant to the law within the operating scope approved by the CSRC, and has obtained various business materials required for securities business operation with an independent and complete business system and the ability of self-operation. Its business operation is not controlled or affected by its shareholders or related parties. The Company can compete in the market independently. Shareholders and related parties of the Company did not breach the Company's working procedures or intervene in the Company's internal management or the making of its operational decisions.

2. Information about the independence of the staff

The Company set up a dedicated human resources management department, and established independent and complete systems for labor employment, personnel management, salary management and social security. The Directors, Supervisors, and senior management of the Company were selected and employed in compliance with the relevant requirements of the Company Law, the Securities Law, and the Measures for the Supervision and Administration of the Professional Qualifications of Directors, Supervisors and Senior Management of Securities Firms and the Articles of Association. The current Directors,

Supervisors and senior management of the Company have obtained the qualifications required for working in securities firms. The senior management of the Company held no positions in its largest shareholder and actual controller and other enterprises under its control. The Company adopts an appointment system for the senior management, a labor contract system for all staff, and enters into Labor Contract with all the staff in accordance with the law. The Company owns independent rights for labor employment and its staff is independent from the shareholders and enterprises under their control without any interference from the shareholders.

3. Information on the integrity of the assets

The Company owns main business qualifications, land, real estate, vehicles and other operating equipment required for business operation. The above assets are subject to no mortgage, pledge or other guarantees, and the Company is the legal owner of these assets. The assets of the Company are independent from its largest shareholder and other shareholders. As of the end of the Reporting Period, the Company provided no guarantees for the debts of any of its shareholders and their subsidiaries by using its assets or reputation as the collateral. The Company had full control and use right over its assets, and there had been no circumstance under which the interests of the Company were damaged due to the largest shareholder's occupation of any of its assets and funds.

4. Information on organizational independence

In strict compliance with the requirements of the Company Law and the Articles of Association, the Company has set up a sound corporate governance structure, under which the general meeting, the Board of Directors, the Board of Supervisors, the management and the relevant operating management departments are formed. The general meeting, the Board of Directors, the Board of Supervisors and the management are in good operation and exercise their respective functions and powers pursuant to the law. The Company owns an independent and complete system for securities business operation and management, and conducts its business on its own. The organizations are set up and run in compliance with the relevant requirements of CSRC. The existing offices and premises of the Company are totally separate from its shareholders without the circumstances of sharing organizations with them or their direct intervention in the Company's business activities.

5. Information on financial independence

As required by the Accounting Standards for Business Enterprises and the Financial Systems of Securities Firms, the Company has established an independent financial accounting and management system, set up an independent accounting department, and employed independent financial accountants. The chief financial officer and financial personnel of the Company held no positions in its shareholders. The Company has opened an independent bank account, applied for an independent tax registration and paid taxes in accordance with laws and regulations. The Company shared no accounts and taxes with its shareholders and related parties.

As of the end of the Reporting Period, the Company provided no guarantees for its shareholders and other related parties. During the Reporting Period, the Company experienced no peer competition and connected transactions resulted from shareholding reform, features of the industry and national policies or mergers and acquisitions.

X. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

During the Reporting Period, the Company conducted appraisal of its senior management under the principle of goal-sharing, consistency between management and appraisal, and performance linkage. The overall appraisal would be conducted on a yearly basis. At the beginning of the year, the Board of Directors would set the performance appraisal indicators for senior management based on the performance appraisal indicators and goals of the Company and the functional areas managed by senior management; in the mid-year, the comprehensive review would be conducted and specific improvement measures would be formulated based on the accomplishment of the goals set at the beginning of the year; at the end of the year, the Remuneration and Appraisal Committee would be responsible for the performance appraisal of senior management of the Company. Based on the benefits and the development of the Company, it would comprehensively appraise the fulfillment of the annual operating goals of the Company and the responsibilities of its senior management. Meanwhile, based on the results of post performance appraisal and the policy for remuneration distribution provided by the Company and supervising departments, it would put forward the amount of remuneration and the reward rule for senior management which would be reported to the Board of Directors for consideration upon approval by voting.

XI. Statement of Internal Control Responsibilities and Establishment of Internal Control System

(I) Statement of the Board of Directors

As required by the internal control standard system of the Company, the Board of Directors of the Company bears the responsibility to establish a sound internal control system and put it in place while assessing its effectiveness, and honestly disclose its evaluation report on internal control. The Board of Supervisors shall monitor the establishment and implementation of internal control conducted by the Board of Directors. The management shall be responsible for leading the daily operation of internal control of the Company. The Board of Directors, Board of Supervisors, Directors, Supervisors and senior management of the Company shall ensure that there are no false descriptions, misleading statements or major omissions contained in this announcement, and shall individually and collectively assume legal responsibilities for the truthfulness, accuracy and completeness of any information contained in this announcement.

The objective of internal control of the Company is to reasonably ensure the legality and compliance of the operation and management, the security of the assets, and the truthfulness and completeness of the financial report and its relevant information, to improve operating efficiency and effectiveness, and to promote the accomplishment of the

development strategy. Due to the inherent limitations of internal control, only reasonable assurance can be provided for the achievement of the above objectives. In addition, internal control may become inappropriate or the level of compliance with control policies and procedures may become lower due to the changes of situation, so it may involve certain risks to speculate the effectiveness of internal control in the future based on the results of internal control evaluation. The Company shall supervise and conduct self-checking on its internal control, and once any defect is identified in its internal control, it will take rectification measures immediately.

(II) Structure of the internal control system

The Company has established a scientific and efficient internal control structure system, under which each of the Board of Directors, Board of Supervisors, the management, the function management departments and business operations departments has its own responsibilities and performs its own functions.

The Board of Directors of the Company shall be responsible for the effectiveness of internal control of the Company, and it has set up special committees it, including the Compliance and Risk Management Committee and the Audit Committee, to comprehensively monitor the effective implementation of internal control and self-evaluation of internal control. The management departments for internal control mainly consist of the risk management department, legal and compliance department, planning and finance department and audit department. Each department shall implement internal control and fully support the improvement of internal control system and the self-evaluation related work. The audit department shall be responsible for conducting internal control evaluation independently. Meanwhile, the Company has established a leading group for the construction and on-going optimization of the internal control system to continuously improve its construction.

The Company has set up a legal and compliance department, a risk management department and an audit department as dedicated departments for internal control audit and supervision, which independently perform the functions of supervision and audit including compliance audit, risk control, financial audit and business audit while being responsible for making improvement suggestions on the defects of internal control and urging relevant responsible departments to rectify such defects in a timely manner.

(III) Basis for establishment of internal control over financial reporting

Based on documents such as the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and the Implementation Guidelines for Enterprise Internal Control (《企業內部控制配套指引》) jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the CBRC and the CIRC, the Guidelines for Internal Control of Securities Firms (《證券公司內部控制指引》) issued by the CSRC, and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies (《上海證券交易所上市公司內部控制指引》) issued by the Shanghai Stock Exchange, the Company has established a sound internal control system for financial reporting.

According to the judging standards for major defects, important defects and general defects from the Basic Internal Control Norms for Enterprises, the Guidelines for Internal Control of Securities Firms and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, and in consideration of factors including the scale of the Company, industry features and risk levels, the Company determined the internal control defects applicable to the Company and the specific judging standards thereof after researching, which were consistent with those of the previous year.

Major defects refer to the combination of one or more control defects which may cause the enterprise to significantly deviate from its control objectives. Important defects refer to the combination of one or more defects, the severity level and economic consequences of which are lower than those of the major defects, but they may still cause the enterprise to deviate from its control objectives. General defects refer to the defects other than major defects and important defects.

Based on the above judging standards and in combination with daily supervision and special supervision, during the Reporting Period, the internal control system and mechanism of the Company were sound and effectively implemented in the actual work. There were no major defects of internal control over financial reporting found in the Company.

(IV) Construction of internal control system

In strict compliance with the requirements of the relevant laws and regulations such as the *Company Law*, the *Basic Internal Control Norms for Enterprises*, the *Guidelines for Internal Control of Securities Firms* and the *Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies*, in consideration of the industry features and the actual conditions of the Company, and according to the *Internal Control Management Measures* of the Company, the Company continuously enhances the construction of internal control system, improves the internal control mechanism, normalize the business procedure, perfects management system and ensures that internal control runs through the whole decision-making, implementation and supervision process and covers various business and management links. The Company formulates *System Construction Management Measures* (《制度建設管理辦法》), standardizes establishment, printing and distribution of the system procedure and flow chart; the Company takes prudent operation, defending and removing risk as the starting points, carries out the principle of "prioritizing system" for business development, establishes uniform management rules, business procedure or operation specification and flow chart for various kinds of business including innovation business, and establishes clear control measures for main risk points and risk nature of the business. Each department regularly or irregularly carries out comprehensive streamlining and perfection for various systems and procedures, and combines with the key point of the business operation to update and refine relevant system and procedures of innovation business. It ensures that the system and procedures comply with the principles of comprehensiveness, prudence, effectiveness, timeliness and the like, so as to avoid blank or loopholes in the system and procedures. Relevant internal control systems of the Company's financial report are sound, and effectively operated; the quality of financial report can be guaranteed, and high reliability of financial information can be ensured.

(V) Operation of internal control system

In 2016, the Company further developed continuous optimization work of group internal control. According to the developed methodology and evaluation standard, each department and subsidiary carried out regular self-evaluation and triggering self-evaluation of internal control through operating risk and internal control management system based on the business development and change of condition to realize objective evaluation for the inherent risk, control effectiveness and residual risk. The Company discovered the defects of internal control design and implementation effectiveness through walk-through tests and operation effectiveness test, intensified analysis on high residual risk process, strengthened, implemented and rectified relevant control measures, continuously optimized the control design condition and improved executive efforts. The Company strengthened the internal control inspection of the related branches and subsidiaries, enhanced the assessment of accountability, carried out internal control training and guidance for the branches, and transmitted risk culture: Meanwhile, the Company carried out the operation and Phase-II construction for the risk self-evaluation system of internal control to improve internal control evaluation efficiency. The audit department of the Company issued internal control evaluation report for the internal control standardized condition of the Company independently. By combining with the suggestions of external consulting agency, the Company rectified, the identified issues from the internal control scheme in time.

(VI) Conclusion of internal control evaluation

In order to strengthen and standardize the internal control of the Company, improve the operation and management level and risk prevention capabilities of the Company and promote the sustainable development of the Company, the management of the Company attached great importance to the advice and suggestions from the Board of Directors and the functional departments for internal control, and effectively improved the standardization level of business and internal control management level of the Company.

Based on the requirements of the relevant laws and regulations such as the Basic Internal Control Norms for Enterprises, the Guidelines for Assessment of Enterprise Internal Control, the Guidelines for Internal Control of Securities Firms and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, the Company conducted self-evaluation on the effectiveness of design and operation of the internal control as of 31 December 2016 and issued the 2016 Evaluation Report of Internal Control. Based on the judgement of the major defects of internal control over financial reporting of the Company, and as at the base date of evaluation report of internal control, there were no major defects of internal control over financial reporting. In the opinion of the Board of Directors, the Company has kept an effective internal control over financial reporting in all material respects according to the requirements of the normative system of enterprise internal control and relevant regulations.

Based on the judgement of the major defects of internal control over non-financial reporting of the Company, and as at the base date of evaluation report of internal control, there were no major defects of internal control over non-financial reporting.

There were no factor affecting the conclusion of the effectiveness evaluation of internal control from the base date of evaluation report of internal control to the issue date of evaluation report of internal control.

(VII) The Board's working plan for internal control in 2017

In order to keep the adaptability and continuous effectiveness of internal control, the Company continuously adjusted and improved its internal control based on relevant requirements including the Basic Internal Control Norms for Enterprises and its supporting guidelines and the Notice on the Fully Implementation of the Establishment of Internal Control System of Provinces-based Enterprises (Su Guo Zi [2013] No. 73) (《關於全面開展省屬企業內部控制體系建設工作的通知》(蘇國資 [2013]73 號)) issued by the State-owned Assets Supervision & Administration Commission of Jiangsu Province and Jiangsu Provincial Department of Finance and in consideration of its own development needs. During the Reporting Period, the Company established an ongoing optimization plan for internal control in 2017, and will continuously implement the optimization of internal control within the Group.

XII. Disclosure of self-evaluation report of internal control

When disclosing the annual results announcement for 2016, the Company will also disclose the Evaluation Report of Internal Control of Huatai Securities Co., Ltd. for 2016 at the same time, which will be published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), the website of HKEX (www.hkexnews.hk) and the Company's official website (www.htsc.com.cn) on 31 March 2017.

XIII. Information about the audit report of internal control

The KPMG Huazhen LLP engaged by the Company conducted an audit on the internal control of the Company, and issued an audit report of internal control without qualified opinions. When disclosing the annual results announcement for 2016, the Company will also disclose the Audit Report of Internal Control of Huatai Securities Co., Ltd. at the same time, which will be published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn), the website of HKEX (www.hkexnews.hk) and the Company's official website (www.htsc.com.cn) on 31 March 2017.

Whether to disclose the internal control audit report: Yes

XIV. Building of the compliance management system of the Company and the inspections and audits finished by the compliance and audit departments during the Reporting Period

The Company always places emphasis on the enterprise culture of operation in compliance with regulations, strict management, prudent and standard operation. During the Reporting Period, in accordance with the relevant laws and regulations and the regulatory requirements, the Company further established a sound compliance management system, improved the organizational structure for compliance management, and continued to strengthen the compliance management of the Company to keep continuous and standardized development of the business lines of the Company.

1. Organizational structure for compliance management

Since its establishment, the Company has been adjusting and improving the organizational structure for compliance management and the relevant systems based on the changes of the market environment and the regulatory requirements and the development needs of business. The Company has established a multi-level organizational structure system for compliance management, comprising of the Board of Directors and its Compliance and Risk Management Committee, the Chief Compliance Officer, the legal and compliance department, the compliance officers of various departments and branches.

The Board of Directors is the supreme decision-making body for the compliance management of the Company and responsible for the approval, assessment, implementation and supervision of the basic policies for compliance management and assumes responsibilities for the effectiveness of the compliance management of the Company. The Compliance and Risk Management Committee under the Board is responsible for overseeing the overall risk management of the Company, and controlling the risks within a reasonable range to ensure the internal management system, business rules, significant decisions and main activities of the Company are in compliance with laws and regulations, and the risks can be controlled and accepted.

The chief compliance officer is in charge of compliance of the Company, conducts audit, inspection and supervision on the compliance of the management and performance of the Company and its staff, and helps the management effectively indentify and manage compliance risks. The chief compliance officer is a member of the senior management, and is appointed by the Board. The chief compliance officer does not hold any concurrent posts or take charge of any departments that conflict with his/her compliance management duties.

The Company has established a legal and compliance department to assist the chief compliance office in performing specific compliance management duties. The legal and compliance department is mainly responsible for the following matters: the establishment of the compliance and management system of the Company; compliance training, inspection and guidance; assessment and unified disposal of compliance risks; compliance examination and compliance reports; cooperation with external compliance supervision and management institutions; anti-money laundering and Chinese Wall; establishment of the legal system of the Company; review of legal documents; handling legal affairs; and assessment of and consultation on legal risks.

All departments and branches of the Company have their own compliance officers. A compliance officer is mainly responsible for the compliance management work of the department or branch it belongs to, performs such duties as carrying out timely and effective monitoring, inspection, assessment and reporting on the implementation of compliance policies and procedures by such department or branch and its staff, and is responsible for the department or branch's communication and exchange of information with the legal and compliance department and other compliance management works in its own department or branch. During the Reporting Period, the Company centralized the compliance risk control of 28 branches, and all compliance risk control personnel previously belonging to different securities branches were assembled and managed by branches, in order to achieve professional, intensive and disciplined management of compliance risk management team in our branches step by step, and set up effective defensive lines to prevent, mitigate and handle internal risks, and enhance the compliance risk management ability of front line positions.

2. Compliance system building of the Company

The Company has established a complete compliance management system and kept improving it. During the Reporting Period, the Company further refined and improved all compliance management systems in compliance with the requirements of the Securities Law, the Regulations on Supervision and Management of Securities Companies, the Trial Provisions for the Compliance Management of Securities Companies (《證券公司合規管理試行規定》) and other laws and regulations and normative documents and in combination with the Company's operation, management and operating practices.

During the Reporting Period, the Company established the *Judicial Assistance Management Measures* to specify the departmental duties and archives management and evaluation and accountability requirements in judicial assistance works, revised and released the *Internal Control System of Anti-money Laundering* (2016 revised version)《反洗錢內部控制制度(2016年修訂)》to specify the key arrangements of the Company's anti-money laundering, in consideration of the regulatory requirements and specific situation of the Company, by adding the annual reporting and quarterly reporting system of anti-money laundering, and self-evaluation of anti-money laundering risks; revised and released the Work Structure and Responsibilities of Anti-money Laundering (2016 revised version)《反洗錢工作組織架構與職責(2016年修訂)》, to adjust the basic structure of the Company's anti-money laundering and further specify the role and responsibilities of each department of the headquarters and branches; formulated the *Introducing Compliance Review Standard of the Sales of Private Financial Products on Consignment* to standardize the private financial products compliance review procedure in a normative form so as to define the compliance standards for introducing private financial products for consignment selling of the Company.

As of the end of the Reporting Period, the Company has established the following basic compliance management systems: *the Compliance Management System (Revised), the Working Measures for Daily Compliance Management (Revised), the Trail Measures for Assessment of the Performance of Compliance Management, the Implementing Rules for Assessment of the Performance of Compliance Management (Revised), the Measures for*

Assessment of the Effectiveness of Compliance Management, the Staff Compliance Manual, the Administrative Measures for the Preparation of Regular Compliance Report, the Regulations on the Management of Securities Investment by Working Staff of the Company, the Regulations on the Management of Chinese Wall (Revised), the System for Internal Control of Anti-money Laundering (Revised), the Anti-money Laundering Confidentiality System, the Working Rules for Integrity Management, the Administrative Measures for Self-discipline and Collaboration, the Measure for Routine Work of Compliance Liaison (Revised) and the Regulations on the Management of Compliance Risk Control Staff in the Branches (Revised), Anti-money Laundering Work Organizational Structure and Duties (Revised) and Judicial Assistance Management Measures, etc..

3. Implementation of the compliance management mechanism

Since the full implementation of the compliance management system, the Company saw continuous improvement of its compliance management work, and continued to benefit from observance with the philosophy of "Creating Value through Compliance Management" and saw significant improvement in the standardization of operations. During the Reporting Period, the compliance department provided all departments and branches with comprehensive compliance consultation service, and put forward recommendations on common issues in time and monitored and gave guidance over the rectification and improvement of the relevant system and procedures by relevant departments; carried out compliance review within the whole Group and focused on the implementation of the requirements of compliance management, and strengthened cross-examination in order to improve the accuracy and effectiveness of compliance review; reinforced routine compliance examination, and conducted regular and irregular specialized compliance examination in line with business innovations and regulatory requirements, in order to screen potential risks effectively and indentify compliance issues in time; submitted quarterly, interim and annual compliance reports to regulatory institutions in time and submitted temporary reports as needed; implemented compliance performance assessment to relevant departments and branches in accordance with the performance assessment criteria and deducted the responsible persons' bonus proportionally, which significantly improved the authority and effectiveness of compliance risk control and provided a major assurance for the effective implementation of the compliance management system; further increased the frequencies and efforts of compliance training, and further broadened the coverage of compliance training through video training and online training so as to raise the awareness of regulatory requirements and compliance of its staff; optimized and updated the compliance management system, optimized the money laundering risk assessment system, launched the new version of contract management system, and increased the efficiency of compliance management work.

4. Information on inspections carried out by the compliance department during the Reporting Period

During the Reporting Period, the Company's compliance department took the lead in completing "looking back the two aspects to be strengthened and two aspects to be retrained", investment banking business and precious metal business package conduct prevention as well as other special self-inspection works, along with carrying out regular

and special inspections over 7 branch agencies and organizing special self-inspection on clients' unusual transaction and self-discipline collaborative works. Recommendations for improvement were put forward in time and the implementation of rectification measures has been tracked. In addition, the compliance department, during the Reporting Period, took the lead in carrying out and launching the on-site inspection of releasing securities research report business. Recommendations for improvement were put forward in time and the implementation of rectification measures has also been tracked.

5. Auditing and inspection performances of inspection department during the Reporting Period

During the Reporting Period, the inspection department, in accordance with the current laws and regulations as well as corporate rules, adhering to the corporate business development, carried out the legality, compliance and validity auditing on internal control, compliance management, money-laundering risk, financial accounting, operating protection, business management, innovative business, client data and services of each branches and securities branches and each department of the Company and its subsidiaries in line with the working policy of "auditing by law, serving the overall situation, highlighting the key points and being realistic and pragmatic".

During the Reporting Period, the inspection department initiated and completed 126 audit report items in total, including regular auditing works of 17 business and management departments of the Company headquarters, such as brokerage business headquarters, fixed income department, wealth management department, equity investment department, general business department, financial planning department and the auditing for the demission of the general manager, the regular auditing works of 4 subsidiaries such as Huatai United Securities and Huatai Asset Management, the auditing works for the dismission and mandatory leave of the general managers in 17 branches in Suzhou, Shanghai, Changzhou and Zhejiang and other cities, the auditing work for the demission and mandatory leave of the general managers in 78 securities branches located in such as Hanzhongmen Street, Nanjing, Bohai Street, Yingkou, the Raffles City, Huangpu District, Shanghai and Zhongshan Road, Nanjing and 4 special auditing works such as corporate internal control evaluation and compliance management validity evaluation. The Company was rectifying and following up with 1 problem identified from audit items in the last three years and 5 items reported were under inspection.

Based on the aforesaid auditing works, the Company's inspection department, while engaging in improvement of the auditing work system and assurance of the independence, objectivity and impartiality of its auditing works, reasonably determines the priorities and scope of auditing work with emphasis on grasping the policy limit, making fact and nature of fact clearly ascertained with irrefutable evidence; in particular, the compliance management and risk control are deemed as the main content in audit examination to guide the audited unit to strengthen the basic works in the aspects of compliance management, risk control, business operation and internal management for the sake of potential risk elimination and putting risk management work on a firm footing, giving a full play to the inspection and audit work in corporate internal control capacity improvement.

XV. Miscellaneous

(I) Company secretary

Pursuant to Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, the Company must appoint as its company secretary an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the duties of a company secretary.

Currently, Mr. Jiang Jian and Ms. Kwong Yin Ping Yvonne serve as the joint company secretaries of the Company. Mr. Jiang Jian has abundant experience inboard and company management matters, but does not possess any of the qualifications under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, and may not be able to fully fulfill the requirements of the Hong Kong Listing Rules. Accordingly, the Company has appointed Ms. Kwong Yin Ping Yvonne, who is a member of the Hong Kong Institute of Chartered Secretaries and fully complies with the requirements stipulated under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules, to act as the other joint company secretary, for an initial term of three years from the listing date to enable Mr. Jiang Jian to acquire the relevant experience under Note (2) to Rule 3.28 of the Hong Kong Listing Rules, so as to fully comply with the requirements set forth under Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. During the Reporting Period, the joint company secretaries of the Company discharged their duties in earnest, and ensured the smooth convening of various meetings of the Board; and promoted the effective communication among members of the Board, and between the Directors, shareholders and management of the Company.

During the Reporting Period, pursuant to Rule 3.29 of the Hong Kong Listing Rules, both Mr. Jiang Jian and Ms. Kwong Yin Ping Yvonne had taken no less than 15 hours of professional training to update their skills and knowledge. Ms. Kwong Yin Ping's primary contact person at the Company is Mr. Jiang Jian.

(II) Responsibilities of the Directors and auditors in respect of the accounts

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

The Board of Directors confirmed that it took responsibility for the preparation of the annual results announcement for the year ended 31 December 2016.

The Board of Directors is responsible for presenting a clear and well-defined assessment of the interim and annual reports, stock price sensitive information, and other matters that need to be disclosed according to the Hong Kong Listing Rules and other regulatory provisions. The management has provided relevant and necessary explanation and information to the Board of Directors so that the Board of Directors could make informed assessment on the financial data and position of the Group for examination and approval.

To the knowledge of all Directors, the Company does not face any events or situations of significant uncertainty likely to give rise to the significant doubt of the Company's capability of sustained operations. In addition, the Company has arranged appropriate insurance cover for the legal actions and liabilities which the Directors, Supervisors and senior management may be exposed to.

(III) Performance assessment results for Directors and Supervisors

During the Reporting Period, the Directors and Supervisors of the Company had abided by the relevant provisions of laws, administrative laws and regulations as well as Articles of Association, and performed their duties and obligations honestly and diligently.

All the Directors of the Company have performed their statutory duties honestly, faithfully and diligently in compliance with laws. They have attended Board meetings and various meetings of special committees in accordance with relevant provisions, considered each proposal seriously, offered advice and suggestions on significant strategic decisions and plans, important investment and financing projects, business innovations, connected transactions, compliance management and internal controls, system construction, appointments of senior management, performance assessments, enterprise cultural construction and social responsibilities of the Company, and acted as professional gatekeepers on such issues, which ensured the scientificity and formalization of those material decisions as well as the sustainable and innovative development of the Company, and preserved the interests of the shareholders practically.

All the Supervisors of the Company have performed their statutory duties honestly, faithfully and diligently in compliance with laws. They have attended the meetings of the Board of Supervisors in accordance with relevant provisions, attended the on-site Board meetings and shareholders' general meetings, and supervised and inspected the legality of operation, material decisions and important business activities as well as the financial position of the Company.

For the details on the performance of duties of the Company's Directors and Supervisors, please refer to the "Corporate Governance Report" "V. Performance of Directors" and "VII. Performance of Duties of Supervisors" of this section in the announcement.

(IV) Communications with the Shareholders

The shareholders' general meeting is the organ of the highest authority of the Company, and the shareholders exercise their rights through the shareholders' general meeting. The Company convenes and holds shareholders' general meetings in strictly compliance with the relevant provisions of Articles of Association and the Rules of Procedures for General Meetings to ensure the equal status of all shareholders, in particular the minority shareholders, and enable them to exercise their rights completely.

The Company pays high attention to the shareholders' opinions and advice, actively and regularly carries out various investor relations activities to keep communication with shareholders and meet their reasonable needs timely. The Company has formulated a series

of relatively thorough rules and regulations such as Administrative System Regarding Investor Relationship, to manage investor relationship in accordance with the standards, systems and procedures. Meanwhile, the Company has formed a good interaction and communication with the investors via actively using various channels such as existing investor service hotlines, the special column for investor relations in the Company's website and reception of on-site researchers.

The Board of the Company is willing to hear the shareholders' advice and encourages shareholders to attend the general meetings to ask the Board or management directly about any doubts they may hold. Shareholders may convene extraordinary general meetings or submit interim proposals to general meetings according to the procedures set out in Article 76 and Article 81 of Articles of Association, which was published on the website of the Shanghai Stock Exchange, the website of HKEX news of the Hong Kong Stock Exchange and the website of the Company. The Company will arrange for the Board to answer the shareholders' questions in its annual general meeting for 2016.

(V) The implementation of investor relations activities

1. Articles of Association amendment

According to the resolution at the 3rd Extraordinary General Meeting of the Company in 2016 and the authorization granted in the resolution in regard to the amendments to the Company's Articles of Association, after the Reporting Period, Jiangsu Securities Regulatory Bureau issued the Su Zheng Jian Xu Ke Zi [2017] No. 9 Document on 2 March 2017 to approve the Company's amendments to the important provisions in the Articles of Association. In the meantime, the Company will actively handle the procedures for registration of the Articles of Association at the Industrial and Commercial Bureau as per the law.

The amendments to the Articles of Association of the Company mainly include: amending Article 125 in accordance with the Guidelines on the Articles of Association of Listed Companies (Revised in 2016) (CSRC Announcement [2016] No. 23) issued by CSRC on 30 September 2016; amending Article 150 and Article 218 in accordance with the Company Law and other laws and regulations as well as the actual situation of the Company in order to maintain the basic stability of the governance structure of the Company and enhance its operational efficiency; and amending Article 155 in order to strengthen the risk control of the Company as the Company's net assets increase constantly.

2. Status of investor relations works during the Reporting Period

The investor relations management is one of the Company's most important tasks on the normative development and legal operation of the Company and is highly valued by the Board of the Company. The Company plans, arranges or organizes various investor relations activities with a strong sense of responsibility, including coordinating the reception of visitors, keeping in contact with regulatory authorities, investors, intermediary agencies and news media and so on.

During the Reporting Period, the Company maintained the "Investor Relations" column on the Company's website, and answered the questions on the interactive E-platform on the website of the Shanghai Stock Exchange. The Company had received 40 batches of investigations and surveys or telephone interviews from 138 researchers and investors who came from various institutions such as securities companies and funds companies, at home or abroad during the year. The Company had also carried out daily consultation work seriously for investors and answered their questions in details. Meanwhile, in order to assist the issuance of the periodical reports, the Company had held four results presentations and analyst meetings, proactively attended strategy seminars and investment forums held by domestic or foreign securities institutions, and maintained full communications with investors on issues such as the development trend of the industry, operational results of the Company as well as its business development strategy, which promoted the understanding of the investors on the business condition of the Company, marketed the development advantages of the Company, and guided market expectations effectively. The Company persists in inducing and analyzing various questions proposed by institutional investors and researchers to improve the professionalism, normalization and the quality of investor relations management of the Company.

The Company's reception of investigations and surveys, communications, and interviews in 2015:

No.	Date of Reception	Place of Reception	Way of Reception	Guests	Major Topics Discussed and Information Provided
1	7 January 2016	Company	Telephone interview	Fullgoal Fund, China Southern Asset Management, PinPoint Fund, Guanzeding Investment, China Export & Credit Insurance Corporation, HuaAn Funds, Huaqiang Investment, Hengde Investment, Qiyuan Assets, Chijiu Investment, Yongrong Assets, Zeyuan Investment, Yingtai Investment, Ruimeng Investment and Anji Investment (16 persons/times)	Business development, innovative business and long-term development strategy of the Company
2	20 January 2016	Company	Field interview	BOC International Holdings Limited (1 person/time)	
3	21 January 2016	Company	Telephone interview	Minsheng Bank International Holdings Limited (3 persons/times)	
4	27 January 2016	Company	Field interview	Dongxing Securities (1 person/time)	
5	5 April 2016	Company	Telephone interview	King Capital Management, L.L.C. (1 person/time)	

No.	Date of Reception	Place of Reception	Way of Reception	Guests	Major Topics Discussed and Information Provided
6	12 April 2016	Company	Telephone interview	HSBC, CICC, Merrill Lynch, Goldman Sachs and J. P. Morgan Chase & Co (over 10 persons/times)	
7	15 April 2016	Company	Telephone interview	CMB International Capital Corporation Limited (1 person/time)	
8	18 April 2016	Company	Field interview	Industrial Securities (2 persons/times)	
9	18 April 2016	Company	Field interview	China Universal Asset Management, Dongxing Securities, Soochow Securities, China Life AMP Asset Management, Changxin Asset Management and Pacific Securities (6 persons/times)	
10	21 April 2016	Company	Telephone interview	JT Capital Management Limited (1 person/time)	
11	29 April 2016	Company	Field interview	GF Securities (1 person/time)	
12	6 May 2016	Company	Field interview	Guotai Junan Securities, PICC Asset Management, Huarong Securities, China International Fund Management Co., Ltd. and Huafu Securities (7 persons/times)	
13	11 May 2016	Company	Telephone interview	HSBC (1 person/time)	
14	2 June 2016	Company	Field interview	Goldman Sachs/Gao Hua Securities, Capital Group (3 persons/times)	
15	7 June 2016	Company	Field interview	BOC International (China) (2 persons/times)	
16	20 June 2016	Company	Field interview	Northeast Securities, Pacific Securities (2 persons/times)	
17	21 June 2016	Company	Telephone interview	JPMorgan (3 persons/times)	
18	23 June 2016	Company	Field interview	Industrial Securities (2 persons/times)	
19	5 July 2016	Company	Field interview	CITIC Securities (2 persons/times)	

No.	Date of Reception	Place of Reception	Way of Reception	Guests	Major Topics Discussed and Information Provided
20	8 July 2016	Company	Telephone interview	Alpha Fund (1 person/time)	
21	13 July 2016	Company	Field interview	Tengyue Partners (8 persons/times)	
22	13 July 2016	Company	Telephone interview	CITIC Securities (1 person/time)	
23	20 July 2016	Company	Field interview	Guosen Securities, SWS MU Fund Management (3 persons/times)	
24	21 July 2016	Company	Field interview	CICC, Sunshine Management (3 persons/times)	
25	30 August 2016	Company	Field interview	Guotai Junan Securities, AIA China, Harvest Fund, Pacific Asset Management (4 persons/times)	
26	31 August 2016	Company	Telephone interview	Macquarie (1 person/time)	
27	1 September 2016	Company	Field interview	Matthews International (1 person/time)	
28	5 September 2016	Company	Field interview	Changjiang Securities (2 persons/times)	
29	12 September 2016	Company	Telephone interview	GSIP (1 person/time)	
30	23 September 2016	Company	Telephone interview	Deutsche Bank (1 person/time)	
31	26 September 2016	Company	Field interview	Balyasny (1 person/time)	
32	7 November 2016	Company	Field interview	Essence Securities, Ziyu Capital, Right-to-share Investment, Tianan Property Insurance, Xingzheng Asset Management, Nanjing Securities, Zhejiang YFB Investment and Development CO., Ltd., Shanghai Golden Bridge Asset Management Co., Ltd. (12 persons/times)	
33	10 November 2016	Company	Field interview	Galaxy Securities, Dongxing Securities, GF Fund Management (4 persons/times)	

No.	Date of Reception	Place of Reception	Way of Reception	Guests	Major Topics Discussed and Information Provided
34	16 November 2016	Company	Field interview	BOCI Securities, China Re Asset Management (3 persons/times)	
35	21 November 2016	Company	Field interview	Haitong Securities, Hampions Capital, Shanghai Hongshang Asset Management Center, Caitong Securities, Pingan Asset Management, Zhejiang Silicon Paradise Asset Management, Northeast Securities, China Investment Securities, Bank of Communications (11 persons/times)	
36	25 November 2016	Company	Telephone interview	First Shanghai Securities, China Asset Management, Fullgoal Fund, Boen Investment, Guohai Franklin Templeton Investment, Huaqiang Investment, Hengde Investment, Orient Asset, Zundao Asset, Panther Asset Management, Merchant International Asset (11 persons/times)	
37	28 November 2016	Company	Telephone interview	Oriental Patron Financial Group (2 persons/times)	
38	9 December 2016	Company	Telephone interview	China Alpha Fund Management (HK) Limited (1 person/time)	
39	21 December 2016	Company	Field interview	Minsheng Securities (1 person/time)	
40	30 December 2016	Company	Field interview	Daiwa Securities (1 person/time)	
41	1 January 2016–31 December 2016	Company	Telephone communication	Institutional investor and individual investor	Operation of the Company performance and industrial status

(VI) Independency of the auditor

According to the relevant provisions in Rule 19A.31 of the Hong Kong Listing Rules, annual accounts should be audited by a prestigious certified public accountant (whether it is an individual, a firm or a company), who (whether it is an individual, a firm or a company) also should be independent of the Chinese issuer to the extent that its independent procedures should be substantially the same as those specified in the statements on independence issued in the Companies Ordinance or by the International Federation of Accountants. According to the relevant provisions in Rule C.3.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules, the Audit Committee should review and monitor the independence and objectiveness of external auditors as well as the validity of the auditing process in accordance with applicable standards. During the Reporting Period, the Company continued to engage KPMG to audit its annual accounts. The Audit Committee had carried out necessary review and supervision to ensure the independence between the firm and the Company.

(VII) Auditor's remuneration

For auditor's service fee of the Reporting Period, please refer to "Management Discussion and Analysis and Report of the Board" "V. Other disclosures" "XXI. Auditors".

During the Reporting Period, the auditor did not charge any non-auditing fee.

Corporate Bonds

I. Basic Information on Corporate Bonds

Unit: RMB in billions Currency: RMB

Name	Abbreviation	Code	Issue date	Expiration date	Balance	Interest rate	Principal and interest payment method	Place for trading
2013 Corporate Bonds of Huatai Securities (Five-year bonds)	13 Huatai 01	122261	2013.6.5	2018.6.5	40.00	4.68%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2013 Corporate Bonds of Huatai Securities (Ten-year bonds)	13 Huatai 02	122262	2013.6.5	2023.6.5	60.00	5.10%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2015 Corporate Bonds of Huatai Securities (First tranche) (Type 1)	15 Huatai G1	122388	2015.6.29	2018.6.29	66.00	4.20%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (First tranche) (Type 1)	16 Huatai G1	136851	2016.12.6	2019.12.6	35.00	3.57%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (First tranche) (Type 2)	16 Huatai G2	136852	2016.12.6	2021.12.6	25.00	3.78%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (Second tranche) (Type 1)	16 Huatai G3	136873	2016.12.14	2019.12.14	50.00	3.79%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (Second tranche) (Type 2)	16 Huatai G4	136874	2016.12.14	2021.12.14	30.00	3.97%	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange

Interest payment for corporate bonds

The Company paid the interest for the period from 5 June 2015 to 4 June 2016 for "13 Huatai 01" and "13 Huatai 02" bonds on 6 June 2016 with a total amount of RMB493.2 million (tax inclusive), and paid the interest for the period from 29 June 2015 to 28 June 2016 for "15 Huatai G1" bond on 29 June 2016 with a total amount of RMB277.2 million (tax inclusive).

II. Entrusted Managers of Corporate Bonds and Their Contacts and Contacts of the Credit Rating Agency

Entrusted manager of bonds	Name	GF Securities Co., Ltd.
	Office address	Room 4301–4316, 43rd Floor, Metropolitan Plaza, 183–187 Tianhe North Road, Tianhe District, Guangzhou City, Guangdong Province
	Contact persons	Zuo Yaxiu, Chen Guang, Li Qingwei
	Tel. no.	020-87555888
Entrusted manager of bonds	Name	Industrial Securities Co., Ltd.
	Office address	Room 1103, Block B, Xinsheng Mansion, 5 Finance Avenue, Xicheng District, Beijing City
	Contact persons	Meng Xiang
	Tel. no.	010-66553783
Entrusted manager of bonds	Name	Shenwan Hongyuan Securities Co., Ltd.
	Office address	45th Floor, 989 Changle Road, Xuhui District, Shanghai City
	Contact persons	Yu Shan, Liu Yuan
	Tel. no.	010-88013931
Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Office address	14th Floor, Huasheng Mansion, 398 Hankou Road, Shanghai City

Others:

The entrusted manager of bonds "13 Huatai 01" and "13 Huatai 02" is GF Securities Co., Ltd., the entrusted manager of bond "15 Huatai G1" is Industrial Securities Co., Ltd., the entrusted manager of bonds "16 Huatai G1", "16 Huatai G2", "16 Huatai G3" and "16 Huatai G4" is Shenwan Hongyuan Securities Co., Ltd., and the credit rating agency for each tranche of bonds is Shanghai Brilliance Credit Rating & Investors Service Co., Ltd..

III. Usage of Proceeds from Corporate Bonds

All the proceeds from 2013 corporate bonds have been used to supplement the Company's working capital and mainly for the purposes of expanding the scale of its margin financing and securities lending, stock repurchase and securities backed lending business, the above use of proceeds was in compliance with the prospectus. All the proceeds from 2015 corporate bonds have been used to supplement the Company's working capital and for the main purposes of expanding the scale of its margin financing and securities lending, stock repurchase and securities backed lending business and other innovative businesses that meet the regulatory requirements and other purposes in relation to the primary businesses of the Company. The use of the proceeds is in line with the covenants undertaken in the prospectus. All the proceeds from the two tranches of corporation bonds issued in 2016 have been used to supplement the Company's working capital and mainly for the purposes of capital-based intermediary businesses such as securities-backed lending and investment business such as FICC. The above use of proceeds is in compliance with the prospectus.

1. Information on the credit rating of the corporate bonds

According to the Trial Measures for the Issuance of Bonds issued by the CSRC and the Listing Rules of Corporate Bonds issued by Shanghai Stock Exchange and other relevant rules, on 25 April 2016, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. updated the credit ratings on the credit status of "13 Huatai 01", "13 Huatai 02" and "15 Huatai G1" issued corporate bonds of the Company, and issued the Updated Credit Rating Report on the 2013 and 2015 Corporate Bonds of Huatai Securities Co., Ltd.(No.: Brilliance [2016]100091), which reaffirmed the AAA credit rating for the Company's "13 Huatai 01", "13 Huatai 02" and "15 Huatai G1" bonds, the AAA entity credit rating for the Company and a stable rating outlook.

On 20 October 2016, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. assessed the credit ratings on "16 Huatai G1" and "16 Huatai G2", the first tranche of corporate bonds issued by the Company, and issued the Credit Rating Report on the Public Issue of 2016 Corporate Bonds(First tranche) of Huatai Securities Co., Ltd.(No.: Brilliance Bond rating(2016)010131), which reaffirmed the AAA credit rating for the Company's "16 Huatai G1" and "16 Huatai G2" bonds, the AAA entity credit rating for the Company and a stable rating outlook.

On 5 December 2016, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. assessed the credit ratings on "16 Huatai G3" and "16 Huatai G4", the second tranche of corporate bonds issued by the Company, and issued the Credit Rating Report on the Public Issue of 2016 Corporate Bonds(Second tranche) of Huatai Securities Co., Ltd.(No.: Brilliance Bond rating(2016)011076), which reaffirmed the AAA credit rating for the Company's "16 Huatai G3" and "16 Huatai G4" bonds, the AAA entity credit rating for the Company and a stable rating outlook.

It is expected that the Announcement of the Updated Credit Rating Results of 2016 Corporate Bonds of Huatai Securities Co., Ltd. will be disclosed within 2 months after the publishing of 2016 Annual Report. For detailed contents of the rating results, please refer to the announcement on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, and the website of Shanghai Stock Exchange (www. sse.com.cn).

V. Credit Enhancement Mechanism and Settlement Plan for and Other Relevant Information on the Corporate Bonds During the Reporting Period

The credit enhancement mechanism for the four tranches of corporate bonds issued by the Company is issued unsecured, and the settlement plan is to pay the interest once annually in the duration of the bonds and to pay the principal together with the last installment of interest. During the Reporting Period, there was no change to the credit enhancement mechanism, settlement plan or other settlement safeguards for the corporate bonds, and the Company strictly performed the covenants set out in the prospectus in relation to the settlement plan, paid interests for the corporate bonds on time, and disclosed relevant information on the Company in a timely manner, to protect the legal interests of the investors.

VI. Meetings of the Holders of Corporate Bonds

During the Reporting Period, the Company did not hold any meeting for the holders of corporate bonds.

VII. Performance of the Duties by the Entrusted Managers of Corporate Bonds

During the Reporting Period, GF Securities Co., Ltd., as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (Year2015). For details, please refer to the relevant announcement published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily on 30 April 2016 by the Company, which was disclosed on the same date on the website of Shanghai Stock Exchange (www.sse.com.cn).

During the Reporting Period, Industrial Securities Co., Ltd., as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2015 Corporate Bonds(First tranche) of Huatai Securities Co., Ltd. (Year2015). For details, please refer to the relevant announcement published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily on 1 July 2016 by the Company, which was disclosed on the same date on the website of Shanghai Stock Exchange (www.sse.com.cn).

VIII. Accounting data and Financial Indicators of the Company for the past two years up to the end of the Reporting Period

Unit: Ten Thousand Yuan Currency: RMB

Primary indicators	2016	2015	Year-on-year change (%)	Resaon for change
Earnings before interest, tax, depreciation and amortisation (EBITDA)	13,958,688	21,831,132	(36.06)	Mainly due to the reduction on earnings before income tax
Net cash generated from investing activities	(4,462,651)	(21,122,340)	(78.87)	The fund used for purchasing available-for-sale financial assets decreased significantly
Net cash generated from financing activities	(5,009,663)	53,833,089	(109.31)	The funds for issuing H Share have been raised in the previous period and the short-and long-term debts raised in this period are decreased.
Balance of cash and cash equivalents at the end of the period	31,651,614	18,595,759	70.21	The cash inflow from operating activities increased significantly, and the cash outflow of investing activities decreased significantly.
Current ratio	1.72	1.82	(5.49)	—
Quick ratio	1.72	1.82	(5.49)	—
Gearing ratio	72.25%	74.86%	Down by 2.61 percentage point	—
EBITDA to total debt ratio	10.58%	16.51%	Down by 5.93 percentage point	Mainly due to the reduction on earnings before income tax
Times interest earned	2.73	2.96	(7.78)	—
Time cash-interest earned	5.47	(6.17)	(188.65)	Net cash from operating activities in 2015 was negative
Time interest earned of EBITDA	2.82	3.01	(6.45)	—
Loan repayment ratio	100%	100%	—	—
Interest payment ratio	100%	100%	—	—

IX. Interest Payment for and Redemption of Other Bonds and Debt Financing Instruments of the Company

During the Reporting Period, the Company redeemed and paid the interest for the first tranche of subordinated bonds privately issued by the Company in 2014 (short name of the bond: 14 Huatai 02, bond code: 123381), with the payment amounting to RMB3,184,500,000.00 (tax included); redeemed and paid the interest for the second tranche of subordinated bonds privately issued by the Company in 2014 (short name of the bond: 14 Huatai 04, bond code: 123344), with the payment amounting to RMB4,236,000,000.00 (tax included); paid the interest of the first tranche of subordinated bonds privately issued by the Company in 2015 (short name of the bond: 15 Huatai 01, bond code: 123265), for the period from 23 January 2015 to 22 January 2016, with interest payment amounting to RMB354,000,000.00 (tax included). The Company redeemed and paid the interest for the second tranche of subordinated bonds privately issued by the Company on 20 April 2015 (short name of the bond: 15 Huatai 02, bond code: 123099), with the payment amounting to RMB7,392,000,000.00 (tax included); paid the interest for the second tranche of the subordinated bonds privately issued by the Company in 2015 (short name of the bond: 15 Huatai 03, bond code: 123100), for the period from 20 April 2015 to 21 April 2016, with interest payment amounting to RMB290,000,000.00 (tax included); paid the interest for the third tranche of the subordinated bonds privately issued by the Company in 2015 (short name of the bond: 15 Huatai 04, bond code: 125978), for the period from 26 June 2015 to 25 June 2016, with interest payment amounting to RMB990,000,000.00 (tax included). For details of relevant announcement, please refer to the disclosure of the Company on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily, and on the website of Shanghai Stock Exchange (www.sse.com.cn).

During the Reporting Period, Huatai Futures redeemed and paid the interest for the subordinated bonds privately issued by Huatai Futures in 2015 (short name of the bond: 15 Huatai Futures, bond code: 125917), with the payment amounting to RMB634,800,000 (tax included).

During the Reporting Period, Huatai International Finance I Limited, a special-purpose company subordinated to Huatai Financial Holdings (Hong Kong), paid USD7.25 million as the interests for offshore bonds on 8 April and 8 October 2016 respectively, or totally USD14.50 million for the year.

X. Bank Credit of the Company During the Reporting Period

During the Reporting Period, the Company enhanced credit management, and as of the end of 2016, the total credit line obtained by the Company from commercial banks exceeded RMB360.0 billion, representing a significant increase as compared to that as of the end of last year, which effectively supported the development of all the businesses of the Company.

The Company enjoyed a good reputation, and repaid bank loans on time during the Reporting Period without extension or reduction of any loan.

Xi. Performance of Relevant Covenants and Undertakings in the Prospectus for Corporate Bonds by the Company During the Reporting Period

During the Reporting Period, the Company strictly performed the relevant covenants or undertakings in the prospectus for corporate bonds, and the usage of the proceeds was in line with the covenants in the prospectus. The Company strictly performed its obligations for information disclosure, and paid the interests for the bonds on time to protect the legal interests of the investors. During the Reporting Period, the Company did not default on the redemption and interest payment of issued bonds, and operated stably with satisfactory earnings and no risk of it failing to make payments on time in the future.

Xii. Major Events of the Company and Their Impact on the Operation and Solvency of the Company

During the Reporting Period, the Company did not experience any major event as set out in Rule 45 of the Administrative Measures for the Issuance and Transaction of Corporate Bonds that could impact the operation and solvency of the Company.

Financial Report

I. The financial report (H Shares) of the Company for 2016 had been audited by KPMG, which issued a standard unqualified audit report.

II. Financial statements (H Shares) (attached below).

III. Notes to the financial Information (H Shares) (attached below).

Index of Documents for Inspection

Index of Documents for Inspection	Financial statements of the Company signed and sealed by the legal representative, the person responsible for accounting matters and the chief accountant
Index of Documents for Inspection	The audit report sealed by the accounting firm and signed and sealed by the Certificated Public Accountant
Index of Documents for Inspection	all documents and announcements of the Company as disclosed in the newspapers designated by the CSRC during the Reporting Period
Index of Documents for Inspection	Articles of Association

Disclosures

I. Major Administrative Approvals of the Company

1. The Approval for the Qualification of Chen Chuanming as Independent Director of Securities Company (Su Zheng Jian Ji Gou Zi [2016] No. 64) (《關於陳傳明證券公司獨立董事任職資格的批覆》(蘇證監機構字 [2016]64 號)) dated 17 March 2016;

2. The Approval for the Qualification of Yang Xiongsheng as Independent Director of Securities Company (Su Zheng Jian Ji Gou Zi [2016] No. 73) (《關於楊雄勝證券公司獨立董事任職資格的批覆》(蘇證監機構字 [2016]73 號)) dated 30 March 2016;

3. The Inspection Opinion on the Cancellation of the Securities Branch of Huatai Securities Co., Ltd. at Chang'an Street, Mudanjiang (Hei Zheng Jian Ji Gou Zi [2016] No. 23) (《關於華泰證券股份有限公司牡丹江長安街證券營業部撤銷情況的核查意見》(黑證監機構字[2016]23號)) dated 19 April 2016；

4. The Approval for the Cancellation of the Securities Branch at Gulou Road North, Taizhou by Huatai Securities Co., Ltd. (Su Zheng Jian Ji Gou Zi [2016] No. 102) (《關於核准華泰證券股份有限公司撤銷泰州鼓樓北路證券營業部的批覆》(蘇證監機構字[2016]102號)) dated 28 April 2016；

5. The Approval for the Qualification of Xu Qing as Director of Securities Company (Su Zheng Jian Ji Gou Zi [2016] No. 135) (《關於徐清證券公司董事任職資格的批覆》(蘇證監機構字 [2016]135 號)) dated 24 May 2016;

6. The Approval for the Qualification of Chen Ning as Director of Securities Company (Su Zheng Jian Ji Gou Zi [2016] No. 136) (《關於陳寧證券公司董事任職資格的批覆》(蘇證監機構字 [2016]136 號)) dated 24 May 2016;

7. The Approval for the Qualification of Wang Huiqing as Director of Securities Company (Su Zheng Jian Ji Gou Zi [2016] No. 137) (《關於王會清證券公司監事任職資格的批覆》(蘇證監機構字 [2016]137 號)) dated 24 May 2016;

8. The Letter of No Objection to Huatai Securities Co., Ltd. Injecting Capital to Huatai Financial Holdings (Hong Kong) Limited and of Acknowledgement on Filing Documents of Huatai Financial Holdings (Hong Kong) Limited's Acquisition of AssetMark Financial Holdings, Inc. (Ji Gou Bu Han [2016] No. 1529) (《關於對華泰證券股份有限公司向華泰金融控股(香港)有限公司增資無異議及收悉華泰金融控股(香港)有限公司收購AssetMark Financial Holdings, Inc.報備文件的函》(機構部函[2016]1529號)) dated 4 July 2016；

9. The Notice of the Result of the Classification of Securities Companies (Su Zheng Jian Ji Gou Zi [2016] No. 2) (《關於通報證券公司分類評價結果的通知》(蘇證監機構字 [2016]2 號)) dated 25 July 2016;

10. The Verification Letter of the Cancellation of the Securities Branch of Huatai Securities Co., Ltd. at Gulou Road North, Taizhou (Su Zheng Jian Han [2016] No. 255) (《關於對華泰證券泰州鼓樓北路證券營業部撤銷情況核查意見的函》(蘇證監函 [2016]255 號)) dated 25 July 2016;

11. The Circulation on the Results of Evaluation on the Information Disclosure Work of Listed Companies for 2015 (Shang Zheng Gong Han [2016] No. 2111) (《關於 2015 年度上市公司信息披露工作評價結果的通報》(上證公函 [2016]2111 號)) dated 20 September 2016;

12. The Letter of No objection Regarding the Listed Transfer of the 2016 Subordinated Bonds of Huatai Securities Co., Ltd. (Shang Zheng Han [2016] No. 1832) (《關於對華泰證券股份有限公司2016年次級債券掛牌轉讓無異議的函》(上證函[2016]1832號)) dated 22 September 2016；

13. The Notice on the Permission of Southbound Trading under the Shenzhen-Hong Kong Stock Connect for Membership Units including Guosen (Shen Zheng Hui [2016] No. 326) (《關於同意開通國信證券等會員單位深港通下港股通業務交易權限的通知》(深證會 [2016]326 號)) dated 3 November 2016;

14. The Approval of the Public Issue of Corporate Bonds by Huatai Securities Co., Ltd. to Qualified Investors (Zheng Jian Xu Ke [2016] No. 2577) (《關於核准華泰證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2016]2577號)) dated 8 November 2016；

15. The Approval on Liu Yan's Qualification to Work as Independent Director in Securities Companies (Su Zheng Jian Ji Gou Zi [2016] No. 265) (《關於劉艷證券公司獨立董事任職資格的批覆》(蘇證監機構字 [2016]265 號)) dated 22 November 2016;

16. The Record Letter of the Business of Lead Securities Firms (Gu Zhuan Xi Tong Han [2016] No. 9187) (《主辦券商業務備案函》(股轉系統函 [2016]9187 號) dated 20 December 2016;

17. The Approval on Meng Qinglin's Qualification to Work as a Supervisor in Securities Companies (Su Zheng Jian Ji Gou Zi [2016] No. 269) (《關於孟慶林證券公司監事任職資格的批覆》(蘇證監機構字 [2016]269 號) dated 21 December 2016.

II. Result of Classification by Regulatory Authority

From 2014 to 2015, the Company was rated Class AA under Category A according to the classification of securities companies. In 2016, the Company was rated Class BBB under Category B according to the classification of securities companies.

Appendix I — Main Business Qualifications

1. On 10 January 2000, as approved by PBOC via the document of "Yin Ban Fa [2000] No. 8", the Company was admitted as a member of the national inter-bank market.

2. On 8 May 2001, as approved by CSRC via the document of "Zheng Jian Xin Xi Zi [2001] No. 5", the Company obtained qualification for online entrusted securities brokerage business.

3. On 24 February 2003, as approved by CSRC via the document of "Zheng Jian Ji Jin Zi [2003] No. 25", the Company obtained qualification for distributing open-end equity funds.

4. On 30 March 2003, as approved by CSRC via the document of "Zheng Jian Ji Gou Zi [2003] No. 115", the Company obtained qualification for entrusted investment management business.

5. On 9 July 2004, our value-added telecommunications business license was approved and issued by Jiangsu Communications Administration. Business license number: Su ICP Zheng 030125.

6. On 17 March 2005, as reviewed and approved by Securities Association of China via the letter of "Zhong Zheng Xie Han [2005] No. 048", the Company became a pilot securities firm to carry out relevant innovative activities.

7. On 19 August 2005, as approved by PBOC via the document of "Yin Fa [2005] No. 214", the Company obtained qualification for underwriting short-term financing bills.

8. On 2 November 2006, our qualification for foreign exchange operation in the securities business of No. SC200804 was approved and issued by State Administration of Foreign Exchange (SAFE).

9. On 6 December 2006, our Foreign Exchange Registration Certificate for Overseas Investment (《境外投資外匯登記證》) (No. 32000006015) was approved and issued by Jiangsu Provincial Bureau of SAFE.

10. We were entitled to become the members of Shanghai Stock Exchange, Shenzhen Stock Exchange and Securities Association of China, to engage in the clearing of warrants of China Securities Depository and Clearing Corporation Limited and participate in the clearing of China Securities Depository and Clearing Corporation (CSDC).

11. On 4 June 2007, our qualification certificate for the agency business of stock transfer was approved and issued by Securities Association of China, and the certificate number is Z-014.

12. On 29 August 2007, as recognized by Shanghai Stock Exchange via the document of "Shang Zheng Zhai Zi [2007] No. 61", the Company became its tier-1 dealer on the integrated e-platform for fixed income securities.

13. On 28 December 2007, as recognized by CSRC via the document of "Zheng Jian Ji Gou Zi [2007] No. 343", the Company obtained the QDII qualification for overseas securities investment management business.

14. On 11 April 2008, as approved by CSRC via the Reply for Verifying the Qualification of Providing Intermediary Introduction Business for Futures Companies by Huatai Securities Co., Ltd. (《關於核准華泰證券股份有限公司為期貨公司提供中間介紹業務資格的批覆》) (Zheng Jian Xu Ke [2008] No. 481), the Company obtained qualification to provide intermediary introduction business for Great Wall Weiye Futures Co., Ltd.

15. On 6 June 2008, we obtained qualified investor qualification in block trade system from Shanghai Stock Exchange and the certificate number is A00008.

16. On 18 July 2008, as approved by CSRC via the No Objection Letter to Make Huatai Securities Co., Ltd. the Pilot Company to Engage in Direct investment Business (《關於華泰證券股份有限公司開展直接投資業務試點的無異議函》) (Ji Gou Bu Bu Han [2008] No. 381), the Company could incorporate wholly-owned specialized subsidiaries to engage in direct investment business.

17. On 16 September 2009, we obtained Value-added Telecommunication Service License of the PRC, the license number is Su B2-20040073, and the business type is information service business (excluding fixed telephone voice information service) in the second type of value-added telecommunication service business with validity till 9 July 2014.

18. On 2 June 2010, we obtained a stock index futures trading code and a hedging limit on China Financial Futures Exchange.

19. On 4 June 2010, as approved by CSRC via the Reply for Verifying the Qualification of the Margin Financing and Securities Lending Business of Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No. 766), the Company could participate in the pilot program of margin financing and securities lending.

20. On 29 December 2010, we were qualified as the dealer for credit risk mitigation tools and creator for credit risk mitigation certificates filed with the National Association of Financial Market Institutional Investors.

21. On 10 May 2011, the Company considered and approved the Proposal on Further Integration of the Relevant Business between the Company and Huatai United Securities at the 2010 annual general meeting. According to the Reply for Verifying the Change of Business Scope of Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2011] No. 1353) from CSRC dated 31 August 2011, the Company changed its business scope with securities brokerage business (the business in Jiangsu, Shanghai, Zhejiang, Anhui, Shandong, Heilongjiang, Jilin, Liaoning, Beijing, Tianjin, Hebei, Henan, Shaanxi, Shanxi, Ningxia, Inner Mongolia, Gansu, Xinjiang, Qinghai only) within the original business scope to securities brokerage business, and securities underwriting and sponsorship business (the relevant business on Shanghai Stock Exchange only) changed to securities underwriting business (the underwriting of government bonds, debt financing

instruments of non-financial enterprises only), reduced its financial advisory business relating to securities trading and securities investment activities, and acquired 77 securities branches including securities branch of Huatai United Securities in Biyun Road, Anlu.

22. On 6 January 2012, as approved by China Insurance Regulatory Commission via the Review Opinion on the Securities Firms to Lease Trading Seats to Insurance Institutional Investors (《關於證券公司向保險機構投資者提供交易單元審核意見書》) (Zi Jin Bu Han [2012] No. 2), the Company could lease trading seats to insurance institutional investors.

23. On 18 January 2012, as approved by CSRC via the No Objection Letter to the Proposal on Making Huatai Securities Co., Ltd. the Pilot Company to Engage in Bonds Collateralized Quotation Repurchase Business (《關於對華泰證券股份有限公司從事債券質押式報價回購業務試點方案的無異議函》) (Ji Gou Bu Bu Han [2012] No. 18), the Company could participate in the pilot program of bonds collateralized quotation repurchase business; On 20 February 2012, as approved by Shanghai Stock Exchange via the Notice on the Matters Concerning Huatai Securities Co., Ltd. to Participate in the Pilot Program of Bonds Collateralized Quotation Repurchase Business (《上海證券交易所關於華泰證券股份有限公司開展債券質押式報價回購業務試點相關事項的通知》) (Shang Zheng Jiao Zi [2012] No. 8), the Company could participate in the pilot program of bonds collateralized quotation repurchase business.

24. On 25 May 2012, as approved by Shanghai Stock Exchange via the Notice on CSI 300 Transactional Open-ended Index Fund Liquidity Service Provider, the Company became the CSI 300ETF liquidity service provider.

25. On 27 June 2012, as approved by CSCR via the Reply for Agreeing on Pilot Program for Cash Management Products of Huatai Securities Co., Ltd. and Approving the Establishment of "Daily Gain" Collective Asset Management Scheme of Huatai Zijin (Zheng Jian Xu Ke [2012] No. 868), the Company could carry out innovative brokerage deposit business.

26. On 1 August 2012, as approved by the Jiangsu Securities Regulatory Bureau via the No Objection Letter to the Participation in Interest Rate Swap Trading of Huatai Securities Co., Ltd., using its Proprietary Funds (Su Zheng Jian Han [2012] No. 345), the Company could participate in interest rate swap using its proprietary funds.

27. On 29 August 2012, as approved by China Securities Finance Co., Ltd. via the Reply for the Application of Participating in the Pilot Program of Margin Refinancing (Zhong Zheng Jin Han [2012] No. 112), the Company could participate in the pilot program of margin refinancing.

28. On 5 September 2012, the Company considered and approved the Proposal on the Application for the Expansion of Agency Sale of Financial Products and Enlarging its Business Scope at the first extraordinary general meeting of the Company in 2012. According to the Reply for Verifying the Qualification of Huatai Securities Co.,Ltd. to expand the agency sale of Financial Products (Su Zheng Jian Ji Gou Zi [2013] No. 41) dated 31 January 2013 from the Jiangsu Securities Regulatory Bureau, the Company changed its business scope and expand

the agency sale of financial products. The business scope of the Company was changed to:securities brokerage; proprietary trading of securities; securities underwriting (underwriting of government bonds, debt financing instruments of non-financial enterprises only); securities investment consulting; securities assets management; intermediary introduction business for futures companies; margin financing and securities lending business; agency sale of financial products; other business activities approved by CSRC.

29. On 11 September 2012, as approved by CSRC via the No Objection Letter of Making Huatai Securities the Pilot Company to Carry out Stock Repurchase (Ji Gou Bu Bu Han [2012] No. 479), the Company became one of the pilots to carry out stock repurchase.

30. On 28 November 2012, as approved by the National Association of Financial Market Institutional Investors via the Notice on the Market Assessment Results of Securities Firm Members to Engage in Lead Underwriting Business for Non-financial Enterprises Debt Financing Instruments in the Inter-bank Market ([2012] No. 19), the company could engage in lead underwriting business for non-financial enterprises debt financing instruments in the interbank market.

31. On 24 December 2012, as approved by China Financial Futures Exchange, the Company was qualified for conducting arbitrage and speculative trading using CSI 300 index-futures and obtained trading code.

32. On 12 January 2013, as approved by Shenzhen Stock Exchange via the Notice on Authorizing the Conducting of Stock Repurchase Transactions (Shen Zheng Hui [2013] No. 15), the Company was among the first batch of securities firms to be qualified for stock repurchase.

33. On 30 January 2013, as approved by the Jiangsu Securities Regulatory Bureau via the Reply for Verifying the Qualification of Huatai Securities Co., Ltd. to expand the agency sale of Financial Products (Su Zheng Jian Ji Gou Zi [2013] No. 41), the Company could expand the agency sale of financial products.

34. According to the No Objection Letter towards Huatai Securities Co., Ltd. to Conduct Comprehensive Custody Pilot Business for Private Equity Funds dated 6 February 2013 from Ministry of Supervision Under CSRC, the Company was approved to conduct comprehensive custody pilot business for private equity funds, which could provide custody services including assets custody, clearing and settlement, net value calculation, investment monitoring and custody reporting for private equity securities investment funds (RELP).

35. On 22 February 2013, as approved by China Securities Finance Co., Ltd. via the Notice on Launching the Pilot Program of Securities Refinancing (Zhong Zheng Jin Han [2013] No. 45), the Company was among the first batch of securities firms to participate in securities refinancing, and obtained qualification of conducting securities refinancing.

36. On 5 March 2013, our agency management of insurance fund was duly filed with China Insurance Regulatory Commission (filing seal of CIRC for fund uses [2013] No. 38), and we formally became the manager of insurance fund investment since then.

37. On 21 March 2013, according to the Record Letter of the Business of Lead Securities Firms (Gu Zhuan Xi Tong Han [2013] No. 70) from National Equities Exchange and Quotations Company Limited, the company was approved to become the lead securities firm to operate recommendation and brokerage business on the National Equities Exchange and Quotations (NEEQ).

38. On 3 April 2013, the Company received a letter from China Securities Depository and Clearing Corporation Limited, which set out no objection as to the filing materials submitted by Huatai Securities for the engagement in witnessing the opening of customers' securities accounts, and permitted the Company to conduct such business. On 15 April, the Company completed the filing with the Jiangsu Securities Regulatory Bureau.

39. On 27 May 2013, after passing the first round test of securities-backed lending, the Company became the first batch of securities firms to be qualified for pilot securities-backed lending for securities listed on the stock exchange.

40. On 4 June 2013, as approved by the Jiangsu Securities Regulatory Bureau via the Reply for Verifying the Qualification of Huatai Securities Co., Ltd. to expand Financial Bonds (Including Policy-bank Bonds) Underwriting Business (Su Zheng Jian Ji Gou Zi [2013] No. 219), the Company obtained qualification of expanding financial bonds (including policy-bank bonds) underwriting business.

41. On 21 June 2013, as approved by Shanghai Stock Exchange and Shenzhen Stock Exchange via the Notice on the Confirmation of Transaction Permission of Huatai Securities Co., Ltd. to Conduct Securities-backed Lending (Shang Zheng Hui Zi [2013] No. 65) and the Notice on the Transaction Permission of Conducting Securities-backed Lending (Shen Zheng Hui [2013] No. 58) respectively, the Company was among the first batch of securities firms to conduct securities-backed lending for securities listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange.

42. In September 2013, after filing with Jiangsu Securities Regulatory Bureau, the Company fully conducted treasury bonds futures business.

43. On 3 September 2013, as approved by CSRC and China Financial Futures Exchange, the Company obtained qualification of conducting treasury bonds futures arbitrage and hedging businesses.

44. On 16 September 2013, Shenzhen Stock Exchange began to permit the transfer of asset management shares,and the Company's wealth management product, the Huatai Zijin Jijifa (華泰紫金季季發) collective asset management scheme, became the first asset management product of securities brokers listed on Shenzhen Stock Exchange due to its priority share, as a result of which, the Company obtained the qualification to conduct asset management share transfer business.

45. On 30 September 2013, the Company received the Letter on the Confirmation of the Filing of Financial Derivatives Business Plan from Securities Association of China, through which, the company was formally approved to obtain qualification of carrying out equity return swaps business.

46. On 10 October 2013, the company participated in the when-issued trading of 2013 book-entry treasury bonds (the 20th batch) conducted on Shanghai Stock Exchange trading system, through which, it obtained qualification of conducting when-issued trading of treasury bonds.

47. On 24 June 2014, the Company received the Letter on the Opinions on the On-site Inspection of Stock Options from Shanghai Stock Exchange, and Shanghai Stock Exchange confirmed that the Company passed the on-site inspection on stock options.

48. On 2 July 2014, the Company received the Record Letter of the Business of Lead Securities Firms (Gu Zhuan Xi Tong Han [2014] No. 777) from National Equities Exchange and Quotations Company Limited, by which it was approved to operate market-making business on the NEEQ, namely market-making qualification on the OTC market.

49. On 16 July 2014, the National Inter-Bank Funding Center published the List of Trial Market Maker on the Inter-Bank Bonds Market, and the Company was approved by the National Inter-Bank Funding Center to become the trial market maker on the inter-bank market.

50. On 7 August 2014, the Company received the No-Objection Letter in Relation to the Review Opinion on the Trial Business of Financing-Oriented Option Exercise with Respect to Share Incentive Schemes of Huatai Securities (Shen Zheng Han [2014] No. 194). According to the opinion from experts at the review meeting, Shenzhen Stock Exchange had no objection towards the trial business of financing of exercising share incentive scheme of the Company.

51. On 27 August 2014, the Company received the No Objection Letter in Relation to the Trial Business of Huatai Securities Co., Ltd. to Provide Payment Services for Clients' Funds, and it was approved to be qualified to provide payment services for clients' funds and could provide various payment services for investors such as deposits collection, mobile recharging, online store consumption, sales return, water fee and credit card payments.

52. On 19 September 2014, the Notice on the List of Securities Firms to Conduct Pilot Operations of Internet-based Securities Business was published on the website of Securities Association of China, which specified that the Company obtained qualification for pilot operations of Internet-based securities business.

53. From 24 September to 25 September 2014, the Company issued "Jujin No. 1" structured note on the quotation system after completing all the testing processes for issuing structured note on the private products quotation system of Securities Association of China. At the same time, it completed the application for and obtained the OTC qualification.

54. According to the Notice on the Permission of Southbound Trading to Huatai Securities Co., Ltd. (Shang Zheng Han [2014] No. 603) from Shanghai Stock Exchange dated 10 October 2014, the Company was granted by Shanghai Stock Exchange the permission to conduct Southbound trading under A Shares trading seats. On 17 November 2014, business under Shanghai-Hong Kong Stock Connect was formally conducted.

55. According to the Letter on Agreeing the Operation of Pilot Business on the OTC Market (Zhong Zheng Xie Han [2014] No. 633) from Securities Association of China dated 15 October 2014, the Company was approved by Securities Association of China to conduct pilot business on the OTC market upon the assessment and acceptance of the its pilot program on the OTC market and the approval of CSRC.

56. According to the Letter on Agreeing Huatai Securities Co., Ltd. to Participate in the Pilot Financing Program for Restricted Securities under Share Incentive Schemes of Listed Companies (Shen Zheng Han [2014] No. 337) from Shenzhen Stock Exchange dated 10 December 2014, the Company was approved by Shenzhen Stock Exchange to participate in the pilot program of restricted securities lending under share incentive schemes of listed companies.

57. On 26 December 2014, the Company submitted the Application for the Qualification of Practicing Brokerage Business on an Authentic Basis for Stock Option Businesses in Shenzhen to Shenzhen Stock Exchange. The Company received a letter from Shenzhen Stock Exchange on 31 December 2014, and obtained the qualification to participate in the authentic business practice as one of the first batch of companies.

58. According to the Notice on Huatai Securities Co., Ltd. of Becoming a Stock Option Trading Participant on Shanghai Stock Exchange (Shang Zheng Han [2015] No. 73) dated 16 January 2015 from Shanghai Stock Exchange, the Company was approved to become a stock option trading participant on Shanghai Stock Exchange and we obtained trading authorization for stock option brokerage and proprietary businesses.

59. On 29 January 2015, as approved by the CSRC via the Reply for Approval on the Qualification of the Stock Options Market Making Business of Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 162), the Company obtained qualification of expanding the stock options market making business.

60. According to the Notice on Commencement of Shanghai Stock Exchange 50 ETF Option Market-Making Business by Huatai Securities Co., Ltd. of Conducting Market-making Business for Shanghai Stock Exchange 50 ETF Option (Shang Zheng Han [2015] No. 213) dated 30 January 2015 from Shanghai Stock Exchange, the company was approved to be the main market-maker of SSE 50 ETF option contracts since 9 February 2015.

61. On 3 April 2015, the Company entered into an agreement with Shanghai Clearing House for the qualification of standard interest rate swap and forward centralized settlement of standard bonds.

62. On 16 April 2015, upon the approval of Shanghai Clearing House, the Company obtained qualification of participating in the net settlement of bond trade in Shanghai Clearing House.

63. According to the Filing Certificate of Private Equity Outsourcing Institutions (《私募基金業務外包服務機構備案證明》) (Filing Ref No. A00004) dated 21 April 2015 from Asset Management Association of China, the Company became one of the first institution on the filing list of private equity outsourcing services to provide outsourced valuation, auditing, unit registration, sales back-office support services for private funds and other value-added services derived from the above services.

64. According to the No Objection Letter to the Innovative Proposal of Huatai Securities on One-way Video Account Opening (《關於華泰證券單向視頻開戶創新方案的無異議函》) (CSDC Ban Zi [2015] No. 460) dated 1 June 2015 from China Securities Depository and Clearing Corporation Limited, the CSDC had no objection towards the application of our Company for the innovative one-way video verification of investors' identities under the online account opening proposal and approved the Company to commence pilot operation.

65. According to the Notice on the Permission of Southbound Trading Under Shenzhen-Hong Kong Stock Connect of Membership Units Including Guoxin Securities (《關於同意開通國信證券等會員單位深港通下港股通交易權限的通知》)(Shen Zheng Hui [2016] No. 326) dated 3 November 2016 from Shenzhen Stock Exchange, the Company was granted by Shenzhen Stock Exchang the permission to conduct Southbound trading under Shenzhen-Hong Kong stock connect of certain business lines of the Company. Since 5 December 2016, Southbound trading under Shenzhen-Hong Kong stock connect was formally launched.

Appendix II — List of Securities Branches

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
1			Securities Branch in Changjiangdong Street, Hefei	10F/1F, East Building, No. 46, Mingguang Road, Yaohai District, Hefei City	230011	Fan Huijuan	0551-64639697
2		Hefei	Securities Branch in Chuangxin Road, Hefei	4F, Block C, Chuangxin Department, No. 2760, Chuangxin Road, High-tech District, Hefei City, Anhui Province	230088	Yang Xiangwen	0551-62686969
3	Anhui 5	Ma'anshan	Securities Branch in Huafei Road, Ma'anshan	No. 5–6, Block 10 Zhenzhuyuan II village, Huashan District, Ma'anshan City, Anhui Province	243000	Ding Yueyue	0555-7185517
4		Chuzhou	Securities Branch in Langya Road East, Chuzhou	No. 5, No. 201, Langya East Road, Chuzhou City, Anhui Province	239001	Wang Yanchun	0550-3019976
5		Tongling	Securities Branch in Huaihe Avenue, Tongling	No. 1602 & 1603, 16/F, Huijin Building, Tongling Trade Building, Huaihe Avenue, Tongling City, Anhui Province	244000	Zhang Jiazhu	0562-2801988
6			Securities Branch in Guangqumen Inner Street, Beijing	Room 43-(04) 01, 4/F, No. 43 Guangqumen Inner Street, Dongcheng District, Beijing City	100062	Yang Junpeng	010-67172636
7			Securities Branch in Agriculture Exhibition Centre South Road, Beijing	Room F1–6, F1–7, F2–1, Ruichen International Centre, No. 13 Agriculture Exhibition Centre South Road, Chaoyang District, Beijing City	100026	Wang Jian	010-65008866
8			Securities Branch in Suzhou Street, Beijing	Room 901–903, 9/F Weiya Building, Block 18, No. 29 Suzhou Street, Haidian District, Beijing City	100080	Li Shuai	010-62523799
9	Beijing 7	Beijing	Securities Branch in Xisanhuan North Road, Beijing	3/F, Block A, Yard 72 Xisanhuan North Road, Haidian District, Beijing City	100048	Wei Zhimin	010-68733708
10			Securities Branch in Yonghe Temple, Beijing	5/F, Block 2, Lijun (Yonghe) Building, No. 28 Andingmen East Street, Dongcheng District, Beijing City	100007	Chen Xi	010-84273989
11			Securities Branch in Yuetan South Street, Beijing	3/F Wanfengyihe Business Club, No. 12 Yuetan South Street, Xicheng District, Beijing City	100045	Zhao Youqiang	010-68058688
12			Securities Branch in Zhongguancun South Street, Beijing	Guangdaguoxin Building, No. 11 Zhongguancun South Street, Haidian District, Beijing City	100081	Hao Zhanxin	010-68733967

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
13	Inner Mongolia 3	Baotou	Securities Branch in Donghe District, Baotou	No. 41, Bayantala Street, Donghe District, Baotou City, Inner Mongolia Autonomous Region	14040	Ma Xiaoju	0472-4136027
14			Securities Branch in Gangtie Main Street, Baotou	Basement Shop 4, Baobin Wall East, No. 19 Gangtie Main Street, Kun District, Baotou City, Inner Mongolia	14000	Niu Anfang	0472-6867886
15		Hohhot	Securities Branch in Xinhua Street East, Saihan District, Hohhot	No. 1707, 17/F, Block A, Wanda Plaza Complex, No. 26, Xinhua East Street, Saihan District, Hohhot City, the Inner Mongolia Autonomous Region	10010	Qi Hong	0471-3251997
16	Hebei 1	Shijiazhuang	Securities Branch in Zhonghua North Street, Shijiazhuang	No. 50, Zhonghua North Street, Shijiazhuang City, Hebei Province	50051	Zhang Feng	0311-87038116
17	Fujian 4	Fuzhou	Securities Branch in Middle Liuyi Road, Fuzhou	5/F, Guangmingqiao Complex, No. 382 Middle Liuyi Road, Taijiang District, Fuzhou City, Fujian Province	350009	Wei Xiang	0591-88037887
18		Quanzhou	Securities Branch in Jiuyi Street, Quanzhou	4/F, Baiyuan Building, Jiuyi Street, Quanzhou City, Fujian Province	362000	Huang Jincai	0595-22187188
19		Xiamen	Securities Branch in Xiahe Road, Xiamen	No. 202, Block B, Haiyi Building, No. 668 Xiahe Road, Siming District, Xiamen City	361004	Lin Meimei	0592-2977339
20		Zhangzhou	Securities Branch in Shuixian Avenue, Zhangzhou	Flat 03–04, 4/F, Block B, Doubletree Hotel by Hilton, Rongxin, No. 88, Shuixian Avenue, Longwen District, Zhangzhou City, Fujian Province	363000	Wu Pan	0596-2900350
21		Foshan	Securities Branch in Denghu East Road, Foshan	Flat A, actually 26/F (nominally 29/F), Block 2, Youbang Financial Centre, No. 1, Denghu East Road, Guicheng Street, Nanhai District, Foshan City	528200	Zheng Chengbin	0757-29808989
22	Guangdong 23	Guangzhou	Securities Branch in Huangpu West Avenue, Guangzhou	Room 1509, No. 638 Huangpu West Avenue, Tianhe District, Guangzhou City	510000	Liu Eryue	020-32277666
23			Securities Branch in Donghuan Road, Panyu District, Guangzhou	Rooms 205, 206, 210, 211, No. 449, 451 Donghuan Road, Shiqiao Street, Panyu District, Guangzhou City, Guangdong Province	510440	Zhu Daoming	020-39213388
24			Securities Branch in Xingang East Road, Guangzhou	Rooms 1808–1810, 1801 Self-Edit, No. 620, Xingang East Road, Haizhu District, Guangzhou City	510220	Li Xingzhi	020-38818868

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25			Securities Branch in Huanshi East Road, Guangzhou	Rooms S1201, 1218–23, 12/F, South Tower, No. 371–375 Huanshi East Road, Yuexiu District, Guangzhou City	510060	Cheng Feng	020-83853823
26		Guangzhou	Securities Branch in Tianhe East Road, Guangzhou City	5/F, Overseas Chinese Friendship Hotel, No. 65 Tianhe East Road, Guangzhou City	510630	Zhong Bihua	020-87566378
27			Securities Branch in Tiyu East Road, Guangzhou	20/F, Pingan Building, No. 160 Tiyu East Road, Guangzhou City	510620	Li Yuxuan	020-22031389
28			Securities Branch in Yuncheng West Road, Guangzhou	Flat 4002–4004, Baiyun Green Centre, No. 888 Yuncheng West Road, Baiyun District, Guangzhou City, Guangdong Province	510420	Lin Hao	020-86273767
29		Zhongshan	Securities Branch in Xingzheng Road, Zhongshan	Shop No. 1003, Block 1, Zhongshan Central Plaza, No. 1, Xingzheng Road, East District, Zhongshan City, Guangdong Province	528403	Song Tao	0760-89823338
30	Guangdong 23	Shantou	Securities Branch in Zhujiang Road, Shantou	Rooms 09, 11, 13, No. 1001, Block A, Xingyuan Building, the South Side of Zhujiang Road, Longhu District, Shantou City, Guangdong Province	515041	Liang Genghai	0754-89898199
31			Securities Branch in Zhongguan Building, Liuxian Avenue, Shenzhen	Room 705, Zhongguan Building, No. 1355 Liuxian Avenue, Xili Sub-district, Nanshan District, Shenzhen City	518065	Cai Zetian	0755-26626138
32			Securities Branch in Caitian Road, Shenzhen	1/F, 2/F, Block 3, Fuyuan Building, No. 2014–9 Caitian Road, Futain District, Shenzhen City, Guangdong Province	518026	Yang Dongyang	0755-82993655
33		Shenzhen	Securities Branch in Haide 3rd Road, Shenzhen	Rooms 1903, 1904, 1905, East Tower of Hai'an Building, Haide 3rd Road, Nanshan District, Shenzhen City	518059	Zhang Yijiang	0755-86271277
34			Securities Branch in Huangge North Road, Longgang, Shenzhen	Flat A102-2, Plant 1, Longgang Tian'an Cyber, Room A602, Block 1, Innovation Park, Longgang Tian'an Cyber, No. 441, Huangge Road, Longcheng Street, Longgang District, Shenzhen City,	518172	Wang Shaolian	0755-82872448
35			Securities Branch in Qiaoxiang Road, Shenzhen	Tower 1.08-01, Office Building of Shenguotou Square, the Junction of Nonglin Road and Qiaoxiang Road, Futian District, Shenzhen City	518040	Zhou Wei	0755-82531008

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36			Securities Branch in Shennan Avenue, Shenzhen	7/F, West Tower of Times Technology Building, No. 7028 Shennan Avenue, Futian District, Shenzhen City	518040	Xue Wenbing	0755-82719339
37			Securities Branch in Road 1 of High-tech Park South, Shenzhen	Southeast Side of 8/F, Fucheng Technology Building, No. 003, Road 1 of High-tech Park South, Nanshan District, Shenzhen City	518057	Gu Guoxu	0755-25870808
38			Securities Branch in Tairan Road, Shenzhen	Room A203, A205, Futian Tian'an Technological Pioneer Park, Chegongmiao, Futian District, Shenzhen City	518000	Li Xiaoshan	0755-82080300
39			Securities Branch in Zhihui Square, Qiaoxiang Road, Shenzhen	Zone 1101–04, Block A, Zhihui Square, Qiaoxiang Road, Nanshan District, Shenzhen City	518053	Cao Mengming	0755-26626388
40	Guangdong 23	Shenzhen	Securities Branch in Rongchao Business Centre, Yitian Road, Shenzhen	3/F, Block A, Rongchao Business Centre, No. 6003 Yitian Road, Futian District, Shenzhen City, Guangdong Province	518026	Zhang Xiuyan	0755-83767319
41			Securities Branch in Yitian Road, Shenzhen	Flats 02, 03, 04, 17/F, China Travel Service HK Building, No. 4011 Shennan Avenue, Futian District, Shenzhen City	518048	Chen Li	0755-82766183
42			Securities Branch in Zhuzilin 4th Road, Shenzhen	Flat 10I, 10J, 22D, 22E, 22F, China Economy and Trading Building, Zizhu 7th Road, Zhuzilin, Futian District, Shenzhen City	518041	Ma Jianmin	0755-82027636
43			Securities Branch in Zhongxin Road, Shajing, Shenzhen	Room 812, 8/F, Xinghe Building, Zhongxin Road, Shajing Sub-district, Bao'an District, Shenzhen City, Guangdong Province	518125	Chen Shun	0755-27247971
44	Guangxi 2	Nanning	Securities Branch in Zhongtai Road, Nanning	7/F, South Tower of Beibuwan Building, No. 11 Zhongtai Road, Nanning City, Guangxi Province	530029	Zhang Han	0771-5570608
45		Wuzhou	Securities Branch in Xidi 3rd Road, Wuzhou	Wuzhou No. 1 of 1/F, No. 19 Xidi 3rd Road, Wuzhou City	543002	Li Yong	0774-3862288
46	Hainan 2	Haikou	Securities Branch in Datong Road, Haikou	Room 1406, 14/F, Fortune Centre Building, No. 38 Datong Road, Haikou City	570102	Chen Jie	0898-66202789
47		Sanya	Securities Branch in Yuya Road, Sanya	2/F, Huipudeng Seaview Hotel, No. 139 Yuya Road, Sanya City	572021	He Ruijin	0898-88211669
48	Shanxi 1	Taiyuan	Securities Branch in Tiyu Road, Taiyuan	No. 58, Tiyu Road, Xiaodian District, Taiyuan City, Shanxi Province	030001	Zhou Rui	0351-7775553

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49			Securities Branch in Jingsan Road, Zhengzhou	8/F, Block B, Guanghuiguomao Building, No. 15, Jingsan Road, Zhengzhou City	450003	Xia Mengfei	0371-65585069
50	Henan 3	Zhengzhou	Securities Branch in Nongye Road, Zhengzhou	Floors 1–2, Shenghuizhongxin Building, No. 16, Nongye Road, Zhengzhou City, Henan Province	450000	Shi Qianjin	0371-63855159
51			Securities Branch in Yufeng Road, Zhengzhou	Fazhanguoji Building, No. 333, Yufeng Road, Zhengzhou City, Henan Province	450008	Dai Xu	0371-66390997
52		Harbin	Securities Branch in Xishiliudao Street, Harbin	No. 15, Xishiliudao Street, Daoli District, Harbin City	150010	Liu Peijian	0451-51998718
53		Harbin	Securities Branch in Xuanhua Street, Harbin	Floors 1–2, Block B, Aochengguoji, No. 239, Xuanhua Street, Nangang District, Harbin City, Heilongjiang Province	150001	Fu Bo	0451-51998768
54	Heilongjiang 5	Mudanjiang	Securities Branch in Xiyitiao Road, Mudanjiang	No. 236, Xiyitiao Road, Xi'an District, Mudanjiang, Heilongjiang	157001	Ma Xiuhui	0453-6920026
55		Suihua	Securities Branch in Zhengyang Street, Zhaodong, Suihua	2/F, ICBC Zhaodong Branch Building, Zhengyangnanshidao Street, Zhaodong, Suihua, Heilongjiang Province	151100	Zhang Lei	0455-8182229
56		Daqing	Securities Branch in Yuanwang Street, Daqing	Shop, 1/F, No. 2, District 6, Industrial Development Area, Ranghulu District, Daqing City, Heilongjiang Province	163400	Zheng Ye	0459-8971477
57	Jilin 3	Changchun	Securities Branch in Minkang Road, Changchun	1–3/F, Building 107, Yikela Residence, No. 855 Minkang Road, Nanguan District, Changchun City	130041	Zhu Jianwei	0431-81910599
58			Securities Branch in Ziyou Avenue, Changchun	No. 1000, Ziyou Avenue, Chaoyang District, Changchun City, Jilin Province	130021	Jiao Shifeng	0431-85655848
59		Jilin	Securities Branch in Jiefang East Road, Jilin City	Room 571 & 572, Zhonghuamingzhu Building, Intersection of Jiefang East Road and Dongchang Road, Jilin City	132000	Liu Yan	0432-65128799
60	Hubei 29	Xiaogan	Securities Branch in Zijin Road, Anlu	No. 1, Zijin Road, Anlu City, Hubei Province	432600	Ding Xiang	0712-5231718
61			Securities Branch in Xiyue Avenue, Dawu	Xiyue Avenue, Dawu County, Hubei Province	432800	Chen Junhong	0712-7226466

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62			Securities Branch in Xiannv Avenue, Hanchuan	No. 215, Xiannv Avenue, Hanchuan City, Hubei Province	431600	Wang Lin	0712-8296358
63		Xiaogan	Securities Branch in Changzheng Road, Xiaogan	No. 29, Changzheng Road, Xiaogan City, Hubei Province	432000	Peng Chao	0712-2326727
64			Securities Branch in West Main Street, Yingcheng	No. 22, Building 1 of Guchengxindu, West Main Street, Yingcheng City, Hubei Province	432400	Meng Zhiyang	0712-3226017
65			Securities Branch in Chaoyang Road, Yunmeng	No. 1, Chaoyang Road, Yunmeng County, Hubei Province	432500	Zhang Yin	0712-4338338
66			Securities Branch in Shizhou Avenue, Enshi	No. 63, Shizhou Avenue, Enshi City, Hubei Province	445000	Zhang Feng	0718-8237528
67			Securities Branch in Yezhou Avenue, Jianshi	No. 47, Yezhou Avenue, Jianshi County, Enshi Tujia and Miao Autonomous Prefecture, Hubei Province	445300	Chen Yan	0718-3230098
68		Enshi	Securities Branch in Chutian Road, Badong	No. 5 Chutian Road, Badong County, Enshi Tujia and Miao Autonomous Prefecture, Hubei Province	444300	Feng Bo	0718-8456188
69	Hubei 29		Securities Branch in Fengxiang Avenue, Laifeng	No. 50, Fengxiang Avenue, Laifeng County, Enshi Tujia and Miao Autonomous Prefecture, Hubei Province	445700	Zhang Xingxin	0718-6288118
70			Securities Branch in Park Road, Lichuan	No. 1, Park Road, Lichuan City, Hubei Province	445400	Tan Xiqiong	0718-7283339
71		Jingzhou	Securities Branch in Middle Beijing Road, Jingzhou	No. 249, Middle Beijing Road, Shashi District, Jingzhou City, Hubei Province	434000	Xu Jian	0716-8249551
72			Securities Branch in Bijiashan Road, Shishou	No. 88, Bijiashan Road, Xiulin Agency, Shishou City, Hubei Province	434400	Zuo Feng	0716-7282593
73		Shiyan	Securities Branch in Chaoyang North Road, Shiyan	No. 8, Chaoyang North Road, Zhangwan District, Shiyan City	442000	Li Zhihua	0719-8240158
74		Shennongjia Forestry District	Securities Branch in Shennong Avenue, Shennongjia	No. 225, Shennong Avenue, Songbai Town, Shennongjia Forestry District	442400	Liu Chao	0719-3336276
75		Wuhan	Securities Branch in Minzu Avenue, Wuhan	Southeast Side of Green Square, Lu Lane, Donghu Development Zone, Wuhan City	430074	Li Dehong	027-87575660
76			Securities Branch in Qingnian Road, Wuhan	6/F, Jiaxin Building, No. 153, Qingnian Road, Jianghan District, Wuhan City	430032	Yu Yanhua	027-83632286

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77			Securities Branch in Youyi Avenue, Wuhan	No. 999, Youyi Avenue, Wuhan City	430080	Li Wei	027-86880966
78			Securities Branch in Shouyi Road, Wuhan	No. 115, Shouyi Road, Wuchang District, Wuhan City	430060	Wang Kai	027-88133377
79		Wuhan	Securities Branch in Wuluo Road, Wuhan	No. 558 attaching No. 4, Wuluo Road, Wuchang District, Wuhan City, Hubei Province	430070	Zhao Changtao	027-87816068
80			Securities Branch in Xinhua Road, Wuhan	No. 296, Xinhua Street, Jianghan District, Wuhan City, Hubei Province	430015	Liu Hongyan	027-85558889
81		Xiangyang	Securities Branch in Changhong, North Road, Xiangyang	No. 19, Changhong Road North, High-tech Zone, Xiangyang City	441000	Hu Dewen	0710-3278298
82	Hubei 29		Securities Branch in Chibi Avenue, Huanggang	No. 25, Chibi Avenue, Huangzhou District, Huanggang City	438000	Ning Yi	0713-8613915
83		Huanggang	Securities Branch in Yongning Avenue, Wuxue	No. 55, Yongning Avenue East, Wuxue City, Hubei Province	435400	Li Zhongrun	0713-6758589
84			Securities Branch in Ronghui Road, Macheng	No. 33, Ronghui Road, Macheng City, Hubei Province	438300	Liu Wei	0713-2772385
85			Securities Branch in Changban Road, Dangyang	No. 112, Changban Road, Dangyang City, Hubei Province	444100	You Jianghua	0717-3252238
86			Securities Branch in Xiling Yi Road, Yichang	No. 10, Xiling Yi Road, Xiling District, Yichang City, Hubei Province	443000	Wang Bo	0717-6229898
87		Yichang	Securities Branch in Qingjiang Road, Yidu	No. 23 Lucheng Qingjiang Road, Yidu City, Hubei province	443300	Wang Bo	0717-4836899
88			Securities Branch in Madian Road, Zhijiang	No. 5 Madian Road, Zhijiang City, Hubei province	443200	Deng Min	0717-4200539
89		Changsha	Securities Branch in Shaoshan North Road, Changsha	3/F, Yixinhuayuan Club, No. 285, Shaoshan Road North, Yuhua District, Changsha City, Hunan Province	410007	Shen Liquan	0731-85561098
90	Hunan 3		Securities Branch in Tianyue Avenue, Pingjiang, Yueyang	Beside to the Local Tax Bureau, Tianyue Avenue, Pingjiang County, Yueyang City	414500	Chen Tao	0730-6297008
91		Yueyang	Securities Branch in Wulipai, Yueyang	3/F, Jiamei Building, Wulipai Village, Yueyang City	414000	Chen Muyuan	0730-8240599
92	Jiangxi 2	Nanchang	Securities Branch in Supu Road, Nanchang	No. 111, Supu Road, Nanchang City, Jiangxi Province	330006	Ding Xiaohan	0791-86216997

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93	Jiangxi 2	Nanchang	Securities Branch in Wenhua Avenue, Xinjian, Nanchang	Room A1, Block 1 of Honggufengshang Community, No. 1290 Wenhua Avenue, Xinjian County, Nanchang City, Jiangxi Province	330100	Ren Xin	0791-83751699
94			Securities Branch in Dongheng Street, Changzhou	No. 2 Dongheng Street, Changzhou City, Jiangsu Province	213003	Ruan Weiguo	0519-86600788
95			Securities Branch in Heping North Road, Changzhou	No. 9 Heping North Road, Tianning District, Changzhou City, Jiangsu Province	213000	Shen Jianwei	0519-86618298
96		Changzhou	Securities Branch in high-tech park, Xinbei District, Changzhou	No. 105, Block E, Building 3, high-tech park, Xinbei District, Changzhou City	213000	Yu Bo	0519-86921660
97			Securities Branch in Middle Yanzheng Avenue, Changzhou	No. 16 Middle Yanzheng Avenue, Wujin District, Changzhou City	213159	Ruan Jing	0519-81000818
98			Securities Branch in Dongmen Street, Jintan	1/F and 4–5/F, No. 500 Dongmen Street, Jintan City, Jiangsu Province	213200	Shi Yuefeng	0519-82696969
99			Securities Branch in South Street, Liyang	No. 91 South Street, Liyang City, Changzhou, Jiangsu Province	213300	Liang Qiuming	0519-80981752
100	Jiangsu 93		Securities Branch in Beijing East Road, Huaiyin, Huaian	No. 17 Beijing East Road, Huaiyin District, Huaian City, Jiangsu Province	223300	Chen Qinqin	0517-84908988
101		Huaian	Securities Branch in Hongri Avenue, Lianshui, Huaian	Room 104, the Second Shop on the north side of Fuqian Yujingyuan, Lianshui County, Huaian, Jiangsu Province	223400	Zeng Zhushan	0517-82660908
102			Securities Branch in South Hanxin Road, Huaian District, Huaian	No. 2–4 Hanxin South Road, Huaian District, Huaian City, Jiangsu Province	223200	Xu Aijun	0517-85198077
103			Securities Branch in Huaihe East Road, Xuyi, Huaian	No. 45 Huaihe East Road, Xucheng Town, Xuyi County, Huaian City, Jiangsu Province	211700	Kang Le	0517-88215061
104			Securities Branch in Zhenzhu South Road, Lishui	No. 4 Zhenzhu South Road, Yongyang Town, Lishui County	211200	Li Guangxiang	025-56232359
105		Nanjing	Securities Branch in Caochangmen Street, Nanjing	18/F, Wenhui Plaza, No. 101 Caochangmen Street, Nanjing City	210036	Jiang Jie	025-58010081
106			Securities Branch in Changjiang Road, Nanjing	1/F and 2/F, No. 99 Changjiang Road, Nanjing City, Jiangsu Province	210005	Zhou Jie	025-84798883

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107			Securities Branch in Baota Road, Gaochun, Nanjing	No. 136 Baota Road, Chunxi Town, Gaochun County, Nanjing City	211300	Xing Qin	025-84623388
108			Securities Branch in Guangzhou Road, Nanjing	11/F, No. 189 Guangzhou Road, Gulou District, Nanjing City, Jiangsu Province	210024	Zhang Cuilian	025-58010058
109			Securities Branch in Hanzhongmen Street, Nanjing	No. 81 Hanzhongmen Street, Jianye District, Nanjing City, Jiangsu Province	210029	Li Shengyu	025-83539779
110			Securities Branch in Hubu Street, Nanjing	No. 15 Hubu Street, Qinhuai District, Nanjing City	210002	Wang Yansheng	025-58010001
111			Securities Branch in Jinbo Road, Jiangning, Nanjing	1–2/F, No. 700 Jinbo Road, Dongshan Street, Jiangning District, Nanjing City, Jiangsu Province	211100	Zhang Yingli	025-87189599
112			Securities Branch in Jiefang Road, Nanjing	No. 20 Jiefang Road, Qinhuai District, Nanjing City, Jiangsu Province	210016	Chu Dongbing	025-84636866
113			Securities Branch in Tonghua Road, Liuhe, Nanjing	Room 18–4, Block 18, No. 9 Tonghua Road, Xiongzhou Street, Liuhe District, Nanjing City, Jiangsu Province	211500	Xu Minfeng	025-57127366
114			Securities Branch in Ruijin Road, Nanjing	No. 48 Ruijin Road, Qinhuai District, Nanjing City	210007	Zhang Anzhong	025-84620977
115			Securities Branch in Yushi Street, Nanjing	No. 96 Yushi Street, Nanjing City	210008	Zhang Hongxing	025-84701234
116			Securities Branch in Zhimaying, Nanjing	No. 26 Zhimaying, Nanjing City	210004	Yao Haitang	025-52210618
117			Securities Branch in Zhonghua Road, Nanjing	No. 255 Zhonghua Road, Nanjing City, Jiangsu Province	210001	Yu Fei	025-52230208
118	Jiangsu 93		The Second Securities Branch in Zhongshan North Road, Nanjing	No. 219 Zhongshan North Road, Nanjing City, Jiangsu Province	210009	Wang Juan	025-83346819
119			Securities Branch in Zhongshan North Road, Nanjing	1/F and 5/F, Zhongshan Junjing Building, No. 333 Zhongshan North Road, Gulou District, Nanjing City, Jiangsu Province	210003	Chen Zhijun	025-83539281
120		Nanjing	The Third Securities Branch in Zhongyang Road, Nanjing	Block 6, Tianzheng International Plaza, No. 399, Zhongyang Road, Nanjing City, Jiangsu Province	210037	Shang Qiu	025-83581188
121			Securities Branch in Zhongyang Road, Nanjing	1/F and 2/F, No. 264, Zhongyang Road, Nanjing City	210037	Sun Qinghua	025-83581110

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
122			Securities Branch in Middle Jiefang Road, Haimen	1–2/F, No. 811, Middle Jiefang Road, Haimen Town, Haimen City	226100	Mao Weiping	0513-82227766
123			Securities Branch in Middle Changjiang Road, Haian, Nantong	8/F, Guidu Mansion, No. 93 Middle Changjiang Road, Haian Town, Haian County, Nantong City, Jiangsu Province	226600	Zhai Jiping	0513-88856678
124			Securities Branch in Huancheng West Road, Nantong	No. 18 Huancheng West Road, Nantong City, Jiangsu Province	226000	Ji Chunbo	0513-85126758
125			Securities Branch in Middle Renmin Road, Nantong	No. 10 Middle Renmin Road, Nantong City, Jiangsu Province	226001	Sha Fei	0513-85123188
126		Nantong	Securities Branch in Renmin Road, Rudong, Nantong	2/F, Buliding 3, Sanyuan Mingju, Renmin Road West, Juegang Town, Rudong County, Nantong City, Jiangsu Province	226400	Chen Xiaojun	0513-84883333
127			Securities Branch in Shanghai East Road, Nantong	Room 112, Business Block 1, Xinghu Linli, Nantong City	226009	Zhu Bing	0513-83593191
128			Securities Branch in Renmin Road, Tongzhou, Nantong	Intersection of Renmin Road, Jinsha Town, Tongzhou District, Nantong City	226300	Li Chendong	0513-81692959
129			Securities Branch in Yaogang Road, Nantong	No. 6 Yaogang Road, Nantong City, Jiangsu Province	226006	Gu Wenhuan	0513-85580999
130			Securities Branch in Middle Renmin Road, Qidong	No. 505, Middle Renmin Road, Huilong Town, Qidong City	226200	Xu Ke	0513-83652208
131			Securities Branch in Fushou Road, Rugao	No. 2–1, Building Phase III, Chengjianjiayuan, Rucheng Town, Rugao City, Jiangsu Province	226500	Qian Hang	0513-87335888
132			Securities Branch in Jinshajiang Road, Changshu	No. 18, Jinshajiang Road, Changshu City	215500	Xu Lijun	0512-52895122
133			Securities Branch in Heilongjiangbei North Road, Kunshan	No. 8, Heilongjiang Road, Kunshan City, Suzhou, Jiangsu Province	215300	Liu Xinglin	0512-55219088
134			Securities Branch in Ganjiang West Road, Suzhou	No. 1359, Ganjiang West Road, Suzhou City	215004	Zhang Zhen	0512-68270515
135			Securities Branch in Heshan Road, Suzhou	No. 56, Heshan Road, Suzhou, Jiangsu Province	215000	Fei Ziwen	0512-68785488
136			Securities Branch in Renmin Road, Suzhou	No. 1925, Renmin Road, Suzhou City	215001	Lu Rong	0512-67579766

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
137			Securities Branch in Xiandai Avenue, Suzhou	Room 307 Lejia Building, No. 8 Jiarui Lane, Suzhou Industrial Park (Xinghun Crossroad, Xiandai Avenue)	215028	Pan Yi	0512-68363826
138			Securities Branch in Xinshi Road, Suzhou	No. 102, Xinshi Road, Suzhou City	215007	Yu Lin	0512-65729996
139			Securities Branch in Taiping South Road, Taicang	No. 36-1 Taiping South Road, Chengxiang Town, Taicang City, Jiangsu Province	215400	Zhang Renrong	0512-53589559
140		Suzhou	Securities Branch in Shichang Road, Shengze Town, Wujiang	Floors 3–4, ICBC Shengze Branch Building, Yaojiaba, Shichang Road, Shengze Town, Wujiang City, Jiangsu Province	215228	Dong Xiaoyan	0512-63910061
141			Securities Branch in Middle Changjiang Road, Jingang Town, Zhangjiagang	No. 251, Middle Changjiang Road, Jingang Town, Zhangjiagang City, Jiangsu Province	215633	Wang Zhigang	0512-56767800
142			Securities Branch in Yangshe East Road, Zhangjiagang	No. 2 Yangshe Road East, Zhangjiagang City, Jiangsu Province	215600	Ren Qiaojian	0512-58178299
143			Securities Branch in Wuzhong Avenue, Suzhou	Floor 2, Wuzhong Commercial Center, Building 1, No. 198 Su Street, Yuexi Subdistrict, Wuzhong Economic Development Zone, Suzhou	215104	Lu Zhizhou	0512-66021881
144			Securities Branch in Zhongshan South Road, Wujiang District, Suzhou	Room 703, Shangling Builing, No. 1729, Zhongshan South Road, Songling Town, Wujiang District, Suzhou City, Jiangsu Province	215200	Fan Xiaofeng	0512-63956208
145			Securities Branch in Jiangyan Road East	No. 23, East Avenue, Jiangyan District, Taizhou City, Jiangsu Province	225500	Song Ruixiao	0523-88209518
146			Securities Branch in Middle Renmin Road, Jingjiang	No. 150-3 Middle Renmin Road, Jingjiang City, Jiangsu Province	214500	Tao Jin	0523-89101088
147	Jiangsu 93		Securities Branch in Guoqing West Road, Taixing	D106/D206, Garden Hotel Building 4, Qingyun Garden, Taixing City	225400	Dong Jun	0523-87095597
148		Taizhou	Securities Branch in Jingang South Road, Gaogang, Taizhou	Room 02, Building 6, Dushijiayuan Phase I, Jingang South Road, Gaogang District, Taizhou City	225300	Zhang Zhan	0523-86985597
149			Securities Branch in Middle Yingwu Road, Taizhou	No. 198 Middle Yingwu Road, Xinghua City, Jiangsu province	225700	Su Bin	0523-83256333
150			Securities Branch in Huandong Road, Huashi Town, Jiangyin	No. 680, Huandong Road, Huashi Town, Jiangyin City, Jiangsu province	214421	Zhong Hua	0510-81662778

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
151			Securities Branch in West Avenue, Zhouzhuang Town, Jiangyin	No. 174, West Street, Zhouzhuang Town, Jiangyin City, Jiangsu province	214423	Zheng Jia	0510-81666298
152			Securities Branch in Hongqiao North Road, Changjing Town, Jiangyin	No. 10, Hongqiao North Road, Changjing Town, Jiangyin City, Jiangsu province	214411	Gu Chun	0510-81662758
153			Securities Branch in Yingxiu Road, Qingyang Town, Jiangyin	No. 111, Yingxiu Road, Qingyang Town, Jiangyin City, Jiangsu province	214401	Liu Chaohui	0510-81662098
154		Wuxi	Securities Branch in Shenpu Road, Lingang, Jiangyin	No. 108, Shenpu Road, Lingang Subdistrict, Jiangyin City, Jiangsu Province	214443	Xu Dalei	0510-81666278
155			Securities Branch in Jiefang North Road, Wuxi	Floor 4, No. 16 Jiefang North Road, Wuxi City, Jiangsu Province	214000	Zhou Hongxia	0510-82768155
156			Securities Branch in Jiefang West Road, Wuxi	No. 327, Jiefang West Road, Wuxi City, Jiangsu Province	214000	Zhang Lei	0510-82705608
157			Securities Branch in Suxi Road, Wuxi	No. 359, Suxi Road, Binhu District, Wuxi City, Jiangsu Province	214123	Zhang Ye	0510-85065672
158			Securities Branch in Yongle Road, Wuxi	No. 12 (Floors 1–2, Shuili Building), Nanhebang, Yongle Road, Nanchang district, Wuxi City, Jiangsu Province	214021	You Lingyan	0510-85045101
159			Securities Branch in Jiefang East Road, Yixing	No. 177 Jiefang East Road, Yicheng Subdistrict, Yixing City	214299	Zhao Bocai	0510-80793998
160		Lianyungang	Securities Branch in Tongguan South Road, Lianyungang	No. 69 Tongguan South Road, Lianyungang, Jiangsu Province	222001	Zhang Tingwen	0518-85519068
161		Suqian	Securities Branch in Beijing North Road, Shuyang	No. 17 (on the first floor of CCB), Beijing North Road, Shucheng Town, Shuyang County	223600	Zhang Yang	0527-87880259
162			Securities Branch in Hongze Lake Road, Suqian	No. 110, Hongze Lake Road, Sucheng District, Suqian City, Jiangshu Province	223800	Zhang Zhengxing	0527-84390068
163			Securities Branch in Tiyu North Road, Sihong, Suqian	Room 103, Building 23, Fuyuantianjun, Tiyu North Road, Qingyang Town, Sihong County, Jiangsu Province (Sihong County Economic Development Zone, Jiangsu Province)	223900	Wang Miao	0527-89889601
164			Securities Branch in Middle Beijing Road, Siyang, Suqian	No. 1, Middle Beijing Road, Zhongxing Town, Siyang County, Suqian City, Jiangsu Province	223700	Zhou Zhi	0527-85181112

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
165			Securities Branch in Huaihai West Road, Xuzhou	Floor 5, Huamei Commercial Building, No. 252, Huaihai West Road, Xuzhou City	221006	Chen Kaisheng	0516-85850911
166			Securities Branch in Tangmu Road, Pei County, Xuzhou	No. 2, Tangmu Road, Pei County, Xuzhou City, Jiangsu Province	221600	Jiao Shuai	0516-81202066
167			Securities Branch in Qingnian Road, Xuzhou	No. 117, Qingnian Road, Xuzhou City, Jiangsu Province	221000	Luo Wei	0516-83718448
168			Securities Branch in Zhongshan South Road, Suining, Xuzhou	Floor 3, Suining Telecommunications Office, No. 10, Zhongshan South Road, Suicheng Town, Suining County	221200	Liu Lei	0516-66778896
169		Xuzhou	Securities Branch in Tongchang Street, Tongshan, Xuzhou	No. 34, Tongchang Street, Tongshan District, Xuzhou City, Jiangsu Province	221116	Liu Lei	0516-83538896
170			Securities Branch in Jianguo West Road, Xuzhou	Room 109, F/1 & Room 205, F/2, Caifu Square 1A Building, No. 75, Jianguo West Road, Xuzhou City, Jiangsu Province	221000	Li Gang	0516-85803998
171			Securities Branch in Daqiao West Road, Xinyi	No. 8 Daqiao West Road, Xinyi, Xuzhou City, Jiangsu Province	221400	Wang Lei	0516-66881777
172			Securities Branch in Zhongyang Avenue, Feng County, Xuzhou	(Shops 2–10, Mingshi Garden), No. 5101, Zhongyang Avenue, Feng County, Xuzhou City, Jiangsu Province	221700	Wang Dongliang	0516-66650130
173	Jiangsu 93		Securities Branch in Jinfengnan Street, Dafeng	No. 8-1, Jinfengnan Street, Dafeng City, Jiangsu Province	224100	Wang Zhijian	0515-83928806
174			Securities Branch in Wanghai West Road, Dongtai	No. 4, Wanghai West Road, Dongtai City, Jiangsu Province	224200	Zhou Dehong	0515-85105761
175		Yancheng	Securities Branch in Fucheng Avenue, Funing, Yancheng	No. 113 (inside Bank of Jiangsu), Fucheng Street, Funing County, Yancheng City, Jiangsu Province	224400	Fu Yacheng	0515-88212873
176			Securities Branch in Xiangyang Avenue, Binhai, Yancheng	Floor 1, Building East, No. NC-14, Xiangyang Avenue, Binhai County, Yancheng City, Jiangsu Province	224500	Xi Jing	0515-87021988
177			Securities Branch in Tonghu Road, Gaoyou	Tonghu Road, Gaoyou City, Jiangsu Province	225600	Zhou Ruihua	0514-84666552
178			Securities Branch in Yeting East Road, Baoying, Yangzhou	No. 10, Yeting East Road, Baoying County, Yangzhou City, Jiangsu Province	225800	Zhang Jingbao	0514-88230488

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
179		Yangzhou	Securities Branch in Longcheng Road, Jiangdu, Yangzhou	Room 22, Block 6, Longcheng Buildings, Yin Jiang Community, Fairy Town, Jiangdu District, Yangzhou City, Jiangsu Province	225200	Wang Hongmei	0514-86534998
180			Securities Branch in Wenchang West Road, Yangzhou	2/F, Park International Building, No. 56, Wenchang West Road, Yangzhou City	225000	Bian Xiaohong	0514-85863888
181			Securities Branch in Wenchang Middle Road, Yangzhou	No. 406, Wenchang Middle Road, Yangzhou City, Jiangsu Province	225001	Xu Yiping	0514-87055888
182			Securities Branch in Baisha Road, Yizheng, Yangzhou	Commercial properties on the ground floor of Building 37, Pudong 2nd village) Baisha Road, Yihua, Zhenzhou Town, Yizheng City, Jiangsu Province	211400	Wang Kaimin	0514-83962098
183		Zhenjiang	Securities Branch in Middle Yangzi Road, Yangzhong	Room 25-6, No. 127, Middle Yangzi Road, Sanmao Substrict, Yangzhong City, Jiangsu Province	212200	Cheng Li	0511-88399933
184			Securities Branch in Guyang Avenue, Dantu, Zhenjiang	No. 260, Guyang Avenue, New Dantu Town, Zhenjiang City	212000	Hou Yeping	0511-85115898
185			Securities Branch in Dongfang Road, Danyang, Zhenjiang	No. 25, Dongfang Road, Development Zone of Danyang City, Jiangsu Province	212300	Yang Jiang	0511-86699772
186			Securities Branch in Huayang East Road, Jurong, Zhenjiang	Huayangmingfu Complex, Extension of Huayang East Road, Huayang Town, Jurong City	212400	Xu Kai	0511-85979998
187		Dalian	Securities Branch in Jiefang Road, Dalian	Room 8, Buiding 11–12, Haosenmingjia, No. 336, Jiefang Road, Zhongshan District, Dalian City, Liaoning Province	116013	Tang Wei	0411-82815866
188			Securities Branch in Lianhe Road, Dalian	No. 4, Meiduyuan, Shahekou District, Dalian City, Liaoning Province	116021	Liu Jun	0411-84342688
189		Panjin	Securities Branch in Shiyou Street, Panjin	Jiguanwei, Shiyou Street, Xinglongtai District, Panjin City	124010	Wang Ran	0427-3257500
190			Securities Branch in Daxi Road, Shenyang	No. 187, Daxi Road, Shenhe District, Shenyang City, Liaoning Province	110014	Wang Hui	024-31976665
191	Liaoning 7	Shenyang	Securities Branch in Guangrong Street, Shenyang	Floors 2–5, No. 23, Guangrong Street, Heping District, Shenyang City, Liaoning Province	110003	Zhang Hong	024-31883577

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
192			Securities Branch in Qingnian Street, Shenyang	No. 320 (Building group 201), Qingnian Street, Heping District, Shenyang City, Liaoning Province	110004	Li Hongyu	024-31883388
193		Yingkou	Securities Branch in Bohai Street, Yingkou	No. 16-A-1, Bohai Street East, Zhanqian District, Yingkou City, Liaoning Province	115000	Jia Jing	0417-3350961
194			Securities Branch in Huayuan Road, Jinan	No. 35, Huayuan Road, Licheng District, Jinan City, Shandong Province	250000	Zhang Qinlei	0531-87229217
195		Jinan	Securities Branch in Qianfoshan Road, Jinan	2/F, Building 2, No. 7, Qianfoshan Road, Jinan City	250061	Li Guoping	0531-82318318
196			Securities Branch in Jiefang Road, Jinan	102 Zhengda Times Square, No. 112, Jiefang Road, Lixia District, Jinan City, Shandong Province	250013	He Zhimin	0531-85829568
197	Shandong 7		Securities Branch in Changshan Road, Laiyang	No. 32, Changshan Road, Laiyang City	265200	Zhang Baigang	0535-7999111
198		Yantai	Securities Branch in Changjiang Road, Yantai	No. 173, Changjiang Road, Yantai Development Zone, Shandong Province	264006	Yang Shaoyue	0535-3410978
199		Qingdao	Securities Branch in Ningxia Road, Qingdao	No. 122, Ningxia Road, Qingdao City	266071	Cui Junfeng	0532-85713938
200		Linyi	Securities Branch in Jinqueshan Road, Linyi	Room 1012, Block B, Kaiyuanshangcheng International, No. 10, Jinqueshan Road, Lanshan District, Linyi City	276000	Yi Aimin	0539-8259526
201			Securities Branch in Macau Road, Shanghai	Rooms 501–505, 512, 516, No. 158, Macau Road, Putuo District, Shanghai City	200060	Wei Deyong	021-33532200
202			Securities Branch in Gonghe New Road, Shanghai	Zones A, B, C, 15/F, No. 5199, Gonghe New Road, Baoshan District, Shanghai City	200435	Wang Yuehao	021-56761987
203			Securities Branch in Guobin Road, Shanghai	Rooms 1801–1806, No. 36, Guobin Road, Yangpu District, Shanghai City	200433	Liu Qun	021-33621855
204			Securities Branch in Huanghe Road, Shanghai	4/F, No. 333, Huanghe Road, Huangpu District, Shanghai City	200003	Duan Baodong	021-63181398
205			Securities Branch in Raffles Square, Huangpu District, Shanghai	Room 3002, No. 268, Central Tibet Road, Huangpu District, Shanghai City	200042	Fan Hao	021-63550001

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
206			Securities Branch in Weihai Road, Jing'an District, Shanghai	Room 1301, 1802B, No. 511 Weihai Road, Jing'an District, Shanghai City	200041	Fan Li	021-62678287
207			Securities Branch in Mudanjiang Road, Shanghai	5/F, No. 1508, Mudanjiang Road, Baoshan District, Shanghai City	201999	Xu Fuqiang	021-56106616
208			Securities Branch in Wangyuan South Road, Fengxian District, Shanghai	Room 102, No. 2, Block 2, Alley 1529 Wangyuan South Road, Nanqiao Town, Fengxian District, Shanghai City	201400	Yang Junjie	021-67136006
	Shanghai 15	Shanghai					
209			Securities Branch in Fushan Road, Pudong New District, Shanghai	Rooms 03B–05A, 26/F (actual floor number: 23/F), No. 388, Fushan Road, Pudong New District, Shanghai City	200120	Che Yun	021-20773068
210			Securities Branch in Tianyaoqiao Road, Xuhui District, Shanghai	Rooms 1103, 1105, 1107 and 1109, No. 329, Tianyaoqiao Road, Xuhui District, Shanghai City	200030	Yu Yong	021-54254885
211			Securities Branch in Xianxia Road, Changning District, Shanghai	No. 1398-1, Xianxia Road, Changning District, Shanghai City (Temporary)	200336	Lu Jian	021-52983009
212			Securities Branch in Wuding Road, Shanghai	6/F, 7/F, No. 1008, Wuding Road, Jing'an District, Shanghai City	200040	Wang Houyin	021-62566063
213			Securities Branch in Tibet South Road, Shanghai	Rooms 506-509, 5/F, No. No. 1313 Tibet South Road, Jing'an District, Shanghai City	200011	Qi Lili	021-53078283
214			Securities Branch in Miaojing Road, Pudong New District, Shanghai	1–3/F, No. 642, Miaojing Road, Pudong New District, Shanghai City	201299	Miao Cong	021-33825017
215			Securities Branch in Rushan Road, Pudong New District, Shanghai	No. 229-1, Rushan Road, Pudong New District, Shanghai City (Temporary)	200120	Cheng Shi	021-38476005
216			Securities Branch in Jinyang Road, Chengdu	3/F, Jinyan Building, No. 184, Jinyang Road, Wuhou District, Chengdu City, Sichuan Province	610000	He Xiaoping	028-87448096
217			The Second Securities Branch in Nanyihuan Road, Chengdu	5/F, BOC Building, No. 45, Yihuan Road South Section III, Wuhou District Chengdu City, Sichuan Province	610041	Gao Xiongwei	028-85512252
	Sichuan 7	Chengdu					
218			Securities Branch in Renmin South Road, Chengdu	Rooms 702 & 703, 7/F, Xinxiwang Building, No. 45, Renmin Road South Section IV, Wuhou District, Chengdu City	610031	Li Huiying	028-85590880

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
219			Securities Branch in Shujin Road, Chengdu	Rooms 301, 302, 410, 411 and 412, Block C, Jinshawanrui Center, No. 1, Shujin Road, Qingyang District, Chengdu City	610091	Li Hui	028-61505176
220	Sichuan 7	Chengdu	Securities Branch in Zhengdong Central Street, Tianfu New District, Chengdu	Rooms 240, 242, 244 and 246, Zhengdong Central Street, Huayang Subdistrict, Tianfu New District, Chengdu City, Sichuan Province	610213	Yang Rui	028-85640443
221			Securities Branch in Tianfu Avenue, Xipu Town, Pi County, Chengdu	2/F, Annex 6 of No. 26, Tianfu Avenue, Xipu Town, Pi County, Chengdu City, Sichuan Province	611731	Liu Feng	028-87843269
222		Deyang	Securities Branch in Kaifeng North Road, Zhongjiang County, Deyang	No. 22, Block 3, No. 13, Kaifeng North Road, Zhongjiang County, Deyang City, Sichuan Province	618100	Liu Xiaodong	0838-7201167
223	Guizhou 1	Guiyang	Securities Branch in Yan'an Middle Road, Guiyang	19/F, Block C, Hongxiang Building, No. 1, Middle Yan'an Road, Yunyan District, Guiyang City	550001	Jin Aihua	0851-84109471
224	Chongqing 1	Chongqing	Securities Branch in Chunhui Road, Chongqing	Annex 6 (2–2) of No. 89, Chunhui Road, Chunhui Subdistrict, Dadukou District, Chongqing City	400084	Liu Yong	023-68901837
225			Securities Branch in Baidi Road, Tianjin	No. 240, Baidi Road, Nankai District, Tianjin City	300192	Xu Jianguo	022-87893469
226	Tianjin 4	Tianjin	Securities Branch in Erwei Road, Dongli Development Zone, Tianjin	Rooms 713–714, Caizhi Building, No. 9, Erwei Road, Dongli Development Zone, Tianjin City	300399	Zhang Haiyan	022-84373801
227			Securities Branch in Qinjian Road, Tianjin	No. 185, Qinjian Road, Hongqiao District	300130	Yan Eryan	022-26532286
228			Securities Branch in Zhenli Road, Tianjin	Fuxin Building, No. 29, Zhenli Road, Hedong District, Tianjin City	300151	Liu Yongjun	022-58811908
229	Gansu 1	Lanzhou	Securities Branch in Gannan Road, Lanzhou	No. 753, Gannan Road, Gulou Lane Subdistrict, Chengguan District, Lanzhou City, Gansu Province	730000	Fu Jie	0931-8106511
230	Shaanxi 2	Xi'an	Securities Branch in Wenyi North Road, Xi'an	1/F and 6/F, Shaanxi Province Opera Research Institute Western Culture Plaza, No. 11, Wenyi North Road, Xi'an City, Shaanxi Province	710054	Jia Gang	029-87889991
231			Securities Branch in Zhangba East Road, Xi'an	1/F, Jialifang, No. 151, Zhangba East Road, Yanta District, Xi'an City	710065	Cao Danghe	029-85587020
232	Qinghai 1	Xining	Securities Branch in Wusi Road, Xining	14/F, Unit 1, No. 33, Wusi Road, Chengxi District, Xining City	810000	Li Shuxue	0971-6368338

No.	Province	City	Name	Address	Zip code	Person in charge of securities branches	Contact number of person in charge
233	Xinjiang 1	Yining	Securities Branch in Jiefang West Road, Yining City	8/F, Jinrong Building, No. 243, Jiefang West Road, Yining City	835000	Wang Hui	0999-8986569
234	Ningxia 1	Yinchuan	Securities Branch in Xinhua West Street, Yinchuan	Guokong Building, No. 51, Xinhua West Street, Xingqing District, Yinchuan City, the Ningxia Hui Autonomous Region	750004	Liu Ming	0951-6019666
235	Zhejiang 8	Hangzhou	Securities Branch in Jiefang East Road, Hangzhou	Room 901 Di Kai Yin Zuo, No. 29, Jiefang East Road, Jianggan District, Hangzhou City, Zhejiang Province	310004	Peng Hanqi	0571-28809281
236			Securities Branch in Qiushi Road, Hangzhou	Room 101-1, North Block of Gongyuan Building, No. 8, Qiushi Road, Xihu District, Hangzhou City	310007	Yang Desheng	0571-87756088
237		Ningbo	Securities Branch in Liuting Street, Ningbo	3/F, Office Building, No. 230, Liuting Street, Haishu District, Ningbo City, Zhejiang Province	315010	Wu Die	0574-87023678
238		Shaoxing	Securities Branch in Shangda Road, Shaoxing	No. 128, Shangda Road, Shaoxing City, Zhejiang Province	312000	Fang Wei	0575-85222917
239		Wenzhou	Securities Branch in Yangguang Avenue, Yongjia	No. 8–13, 1/F, Yangguang Building, Xinqiao Village, Jiangbei Subdistrict, Yongjia County, Zhejiang Province	325102	Zhang Yongpo	0577-66992199
240		Zhoushan	Securities Branch in Jiefang East Road, Zhoushan	Rooms 802 & 803, No. 118, No. 116-1, Jiefang East Road, Dinghai District, Zhoushan City, Zhejiang Province	316100	Zhang Mingfeng	0580-3066008
241		Taizhou	Securities Branch in Zhongxin Avenue, Taizhou	Northeast Section, Room 104, Donggang Office Building, No. 183, Zhongxin Avenue, Taizhou City, Zhejiang Province	318000	Zeng Senjun	0576-89811389
242		Jiaxing	Securities Branch in Fanggong Road, Jiaxing	No. 1115, Fanggong Road, Jiaxing City, Zhejiang Province	314000	Dong Kaisong	0573-82862312

Appendix III Information Disclosure Index

(I) During the Reporting Period, the Company disclosed the following important matters in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the website of the SSE (www.sse.com.cn):

No.	Date	Daily Announcement
1	01/12/2016	HTSC Business Operation and the Main Financial Information of December in 2015
2	01/18/2016	Announcement by HTSC on Payment of Interest for the First Tranche of Subordinated Bonds under Private Placement of 2015
3	01/27/2016	Announcement by HTSC on Estimated Profit Increase for Annual Results in 2015
4	01/28/2016	Announcement by HTSC on Resolutions of the 27th Meeting of the Third Session of the Board, Independent Opinion by HTSC Independent Directors on Nomination of the Company's Non-executive Directors Candidates, HTSC Independent Directors Candidates Statement, HTSC Independent Directors Nominator Statement
5	02/02/2016	Notice by HTSC on Convening the First Extraordinary General Meeting in 2016, Document of the First Extraordinary General Meeting in 2016
6	02/05/2016	Announcement on HTSC Business Operation and the Main Financial Information for January 2016
7	03/01/2016	The Second Notice of the 2016 First Extraordinary General Meeting
8	03/05/2016	Announcement on HTSC Business Operation and the Main Financial Information for February 2016
9	03/19/2016	Announcement by HTSC on Appointment of Chen Chuanming as Independent Non-executive Director and Other Matters, Announcement by HTSC on Resolutions of the First Extraordinary General Meeting in 2016, Legal Opinion of the First Extraordinary General Meeting of HTSC in 2016
10	03/23/2016	Announcement by HTSC on Resignation of Mr. Qi Liang as Vice President of the Company
11	03/25/2016	Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 02" Subordinated Bonds
12	03/26/2016	Announcement by HTSC on Resignation of Dong Junzheng as Supervisor
13	03/29/2016	Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 02" Subordinated Bonds

No.	Date	Daily Announcement
14	03/30/2016	HTSC Annual Report, HTSC Annual Report Summary, HTSC 2015 Annual Auditing Report, HTSC Auditing Report of Internal Control, HTSC 2015 Annual Social Responsibility Report, Announcement by HTSC on Resolutions of the 29th Meeting of the Third Session of the Board, Announcement by HTSC on Resolutions of the 12th Meeting of the Third Session of the Board of Supervisors, Announcement by HTSC on Anticipation of Ordinary Connected Transactions in 2016, Independent Opinion of HTSC Independent Non-Executive Directors on the Matters Concerning 2015 Annual Report of the Company, Report on Performance of Duties of Independent Directors of HTSC in 2015, Report on Performance of Duties of Audit Committee under the Board of HTSC in 2015, HTSC Evaluation Report of Internal Control for 2015, Special Explanation on Changes in Accounting Estimates of HTSC for 2015, Special Explanation by HTSC on Non-operating Misappropriation of Funds and Transaction of Other Associated Funds for 2015
15	04/01/2016	Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 02" Subordinated Bonds
16	04/07/2016	Announcement by HTSC on Appointment of Yang Xiongsheng as Independent Non-Executive Director and Other Matters
17	04/08/2016	Announcement by HTSC on Implementation of Redemption of "15 Huatai 02" Subordinated Bonds
18	04/12/2016	Announcement by HTSC on Resolutions of the 30th Meeting of the Third Session of the Board, Announcement by HTSC on Acquisition of AssetMark Financial Holdings, Inc. by Huatai International Finance Limited, Announcement on HTSC Business Operation and the Main Financial Information for March 2016
19	04/14/2016	Announcement by HTSC on Payment for the Principal and Interest in 2016 for the First Tranche of Subordinated Bonds (2-Year) under Private Placement of 2014, Announcement by HTSC on Settlement and Payment of Interest for the Second Tranche of Subordinated Bonds of 2015
20	04/16/2016	Announcement by HTSC on Resolutions of the 31st Meeting of the Third Session of the Board, Announcement by HTSC on Resolutions of the 13th Meeting of the Third Session of Board of Supervisors, Independent Opinion of HTSC Independent Directors on the Company's Director Candidate
21	04/19/2016	Announcement by HTSC on Results of Exercise of Redemption of "15 Huatai 02" Subordinated Bonds and Delisting Thereof, Report on the Entrusted Management Affairs in Relation to the Second Tranche of Subordinated Bonds of HTSC of 2015 (Year 2016)
22	04/21/2016	Notice by HTSC on Convening 2015 Annual General Meeting, Announcement by HTSC on Completion of Settlement for the Second Tranche of Subordinated Bonds (2-Year) of 2015, Document of 2015 Annual General Meeting
23	04/29/2016	HTSC First Quarterly Report of the Company for 2016

No.	Date	Daily Announcement
24	04/30/2016	Report on the Entrusted Management Affairs in Relation to the Corporate Bonds of HTSC of 2013 (Year 2015), Report on Tracking Rating of Corporate Bonds of HTSC Issued in 2013 and 2015, Report on Tracking Rating of Subordinated Bonds of HTSC Issued in 2014 and 2015, Announcement by HTSC on Tracking Rating of Corporate Bonds Issued in 2013 and 2015 and Subordinated Bonds Issued in 2014 and 2015
25	05/07/2016	Announcement on HTSC Business Operation and the Main Financial Information for April 2016
26	05/11/2016	Announcement by HTSC on Resolutions of the 28th Meeting of the Third Session of the Board
27	05/21/2016	The Second Notice of the AGM
28	05/27/2016	Announcement by HTSC on Payment for Interest in 2016 for the Corporate Bonds of 2013
29	06/08/2016	Announcement on HTSC Business Operation and the Main Financial Information for May 2016
30	06/09/2016	Announcement by HTSC on Resolutions of 2015 Annual General Meeting, Announcement by HTSC on Appointment of Gao Xu, Chen Ning and Xu Qing as Non-executive Directors and Other Matters, Announcement by HTSC on Appointment of Wang Huiqing as Supervisor and Other Matters, Legal Opinion of HTSC 2015 Annual General Meeting
31	06/20/2016	Announcement by HTSC on Payment for Interest in 2016 for the Third Tranche of Subordinated Bonds of 2015
32	06/21/2016	Announcement by HTSC on Resolutions of the 33rd Meeting of the Third Session of the Board
33	06/22/2016	Announcement by HTSC on Payment for Interest in 2016 for Corporate Bonds (the First Tranche) of 2015
34	06/30/2016	Announcement by HTSC on Resolutions of the 34th Meeting of the Third Session of the Board, Report of the Entrusted Manager in Relation to the Third Tranche of Subordinated Bonds of HTSC of 2015 (Year 2015)
35	07/01/2016	Report on the Entrusted Management Affairs in Relation to Corporate Bonds (the First Tranche) of HTSC of 2015 (Year 2015)
36	07/07/2016	Announcement by HTSC on Receiving a Letter from the Department of Investment Funds Supervision of CSRC and Progress of Acquisition of AssetMark Financial Holdings, Inc.
37	07/09/2016	Announcement on HTSC Business Operation and the Main Financial Information for June 2016
38	07/28/2016	Announcement by HTSC on Resolutions of the 35th Meeting of the Third Session of the Board
39	07/29/2016	Notice of Convening the Second Extraordinary General Meeting in 2016, Document of the Second Extraordinary General Meeting of HTSC in 2016, Announcement by HTSC on Implementation of Profits Distribution for 2015

No.	Date	Daily Announcement
40	08/02/2016	Announcement by HTSC on Huatai Securities (Shanghai) Asset Management Co., Ltd. Receiving the Qualification Approval of Management Business of Publicly Raised Securities Investment Funds from CSRC
41	08/05/2016	Announcement on HTSC Business Operation and the Main Financial Information for July 2016
42	08/16/2016	Announcement by HTSC on Exercise of Redemption Option of "14 Huatai 04" Subordinated Bonds
43	08/17/2016	Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "14 Huatai 04" Subordinated Bonds
44	08/19/2016	Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "14 Huatai 04" Subordinated Bonds
45	08/20/2016	Announcement by HTSC on Resolutions of the 36th Meeting of the Third Session of the Board, HTSC 2016 Interim Report Summary, HTSC 2016 Interim Report
46	08/23/2016	Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "14 Huatai 04" Subordinated Bonds
47	08/27/2016	Second Notice of 2016 Second Extraordinary General Meeting
48	09/07/2016	Announcement on HTSC Business Operation and the Main Financial Information for August 2016
49	09/13/2016	Announcement by HTSC on Implementation of Redemption of "14 Huatai 04" Subordinated Bonds
50	09/14/2016	Announcement by HTSC on Resolutions of the Second Extraordinary General Meeting in 2016, Legal Opinion of the Second Extraordinary General Meeting of HTSC in 2016
51	09/22/2016	Announcement by HTSC on Results of Exercise of Redemption of "14 Huatai 04" Subordinated Bonds and Delisting Thereof, Announcement by HTSC on Settlement and Payment of Interest for the Second Tranche of Subordinated Bonds (4-Year) under Private Placement of 2014
52	09/29/2016	Announcement by HTSC on Completion of Settlement for the Second Tranche of Subordinated Bonds (4-Year) under Private Placement of 2014
53	10/12/2016	Announcement by HTSC on Resignation of Mr. Wu Xiaodong as Chairman of the Board of a Subsidiary of HTSC
54	10/14/2016	Announcement on HTSC Business Operation and the Main Financial Information for September 2016
55	10/17/2016	Announcement by HTSC on Issuance Results for the Subordinated Bonds (the First Tranche) under Private Placement of 2016
56	10/22/2016	Announcement by HTSC on Changes of Principal Person in Charge of the Subsidiary Company
57	10/25/2016	Announcement by HTSC on Issuance Results for the Subordinated Bonds (the Second Tranche) under Private Placement of 2016

No.	Date	Daily Announcement
58	10/29/2016	Third Quarterly Report of the Company of 2016, Announcement by HTSC on Resolutions of the 37th Meeting of the Third Session of the Board, Announcement by HTSC on Resolutions of the 16th Meeting of the Third Session of the Board of Supervisors, Independent Opinion of HTSC Independent Directors on Nomination of the Company's Directors Candidates, HTSC Independent Directors Candidates Statement, HTSC Independent Directors Nominator Statement, HTSC Working Rules of the President (2016 Revised Draft)
59	11/01/2016	Announcement by HTSC on Listing of the Subordinated Bonds (the First Tranche) of 2016 in Shanghai Stock Exchange, Announcement by HTSC on Listing of the Subordinated Bonds (the Second Tranche) of 2016 in Shanghai Stock Exchange
60	11/02/2016	Announcement by HTSC on Completion of Acquisition of AssetMark Financial Holdings, Inc.
61	11/04/2016	Notice of Convening the Third Extraordinary General Meeting in 2016, Announcement by HTSC on Adjustment of the Date of General Meeting, Document of the Third Extraordinary General Meeting in 2016
62	11/05/2016	Announcement on HTSC Business Operation and the Main Financial Information for October 2016
63	11/09/2016	Announcement by HTSC on Obtaining Permission to Conduct Southbound Trading under Shenzhen-Hong Kong Stock Connect from Shenzhen Stock Exchange
64	11/18/2016	Announcement by HTSC on Receiving the Approval of Public Issuance of Corporate Bonds from CSRC
65	11/29/2016	Announcement by HTSC on Receiving the Determination on Administrative Penalty Issued by CSRC
66	12/01/2016	Announcement by HTSC on Issuance of Corporate Bonds (the First Tranche) of 2016, Credit Rating Report of Public Issuance of Corporate Bonds (the First Tranche) of HTSC of 2016, Prospectus Summary of Public Issuance of Corporate Bonds (the First Tranche) of HTSC of 2016 (to Qualified Investors), Prospectus of Public Issuance of Corporate Bonds (the First Tranche) of HTSC of 2016 (to Qualified Investors)
67	12/03/2016	Second Notice of the 2016 Third Extraordinary General Meeting
68	12/05/2016	Announcement by HTSC on Coupon Rate of Corporate Bonds (the First Tranche) of 2016
69	12/07/2016	Announcement by HTSC on Issuance Results for Corporate Bonds (the First Tranche) of 2016
70	12/08/2016	Announcement on HTSC Business Operation and the Main Financial Information for November 2016

No.	Date	Daily Announcement
71	12/09/2016	Announcement by HTSC on Issuance of Corporate Bonds (the Second Tranche) of 2016, Prospectus Summary of Public Issuance of Corporate Bonds (the Second Tranche) of HTSC of 2016 (to Qualified Investors), Prospectus of Public Issuance of Corporate Bonds (the Second Tranche) of HTSC of 2016 (to Qualified Investors), Credit Rating Report of Public Issuance of Corporate Bonds (the First Tranche) of HTSC of 2016
72	12/12/2016	Announcement by HTSC on Increasing Registered Capital of Huatai Zijin Investment Co., Ltd., Announcement by HTSC on Listing of Corporate Bonds (the First Tranche) of 2016 in Shanghai Stock Exchange
73	12/13/2016	Announcement by HTSC on Coupon Rate of Corporate Bonds (the Second Tranche) of 2016
74	12/15/2016	Announcement by HTSC on Issuance Results for Corporate Bonds (the Second Tranche) of 2016
75	12/21/2016	Announcement by HTSC on Listing of Corporate Bonds (the Second Tranche) of 2016 in Shanghai Stock Exchange
76	12/22/2016	Announcement by HTSC on Resolutions of the Third Extraordinary General Meeting in 2016, Announcement by HTSC on Resolutions of the First Meeting of the Fourth Session of the Board, Announcement by HTSC on Resolutions of the First Meeting of the Fourth Session of Board of Supervisors, Announcement by HTSC on the Election of Staff Representative Supervisor of the Fourth Session of Board of Supervisors, HTSC Rules of Procedures for General Meeting (2016 Revised Draft), Independent Opinion of Independent Director on Appointment of Senior Management of HTSC, Legal Opinion of the Third Extraordinary General Meeting of HTSC in 2016
77	12/29/2016	Announcement by HTSC on Changes of Registered Address of Huatai Futures Co., Ltd., a Holding Subsidiary of HTSC

(II) During the Reporting Period, the Company disclosed the following important matters on the website of Hong Kong Exchanges (www.hkexnews.hk):

No.	Date	Announcement
1	01/06/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2015
2	01/11/2016	Announcement on Key Financial Information for December 2015
3	01/17/2016	Overseas Regulatory Announcement — Announcement by HTSC on Payment of Interest for the First Tranche of Subordinated Bonds under Private Placement of 2015
4	01/26/2016	Positive Profit Alert for the 2015 Annual Results Announcement on Estimated Profit Increase for Annual Results in 2015
5	01/27/2016	Announcement Resolutions of the Board Meeting

No.	Date	Announcement
6	02/01/2016	Notice of the Election of Independent Non-Executive Directors and the EGM, Notice of the EGM, Form of Proxy of Holders of H Shares for Use at the EGM to be Held on 18 March 2016, Reply Slip for Holders of H Share for Attending the EGM to be Held on 18 March 2016, Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholders
7	02/03/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2016
8	02/04/2016	Announcement on Key Financial Information for January 2016
9	02/29/2016	Second Notice of the 2016 First Extraordinary General Meeting
10	03/03/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 29 February 2016
11	03/04/2016	Announcement on Key Financial Information for February 2016
12	03/15/2016	Date of Board Meeting
13	03/18/2016	Poll Results of the First 2016 Extraordinary General Meeting and Election of Independent Non-Executive Directors, List of Directors and their Role and Function
14	03/22/2016	Resignation of Vice President of the Company
15	03/24/2016	Overseas Regulatory Announcement — Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 02" Subordinated Bonds
16	03/28/2016	Resignation of Supervisor, Overseas Regulatory Announcement — Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 02" Subordinated Bonds
17	03/30/2016	Results Announcement for the Year Ended 31 December 2015, Overseas Regulatory Announcement – HTSC Annual Report, HTSC Annual Report Summary, HTSC 2015 Annual Auditing Report, HTSC Auditing Report of Internal Control, HTSC 2015 Annual Social Responsibility Report, Announcement by HTSC on Resolutions of the 29th Meeting of the Third Session of the Board, Announcement by HTSC on Resolutions of the 12th Meeting of the Third Session of the Board of Supervisors, Announcement by HTSC on Anticipation of Ordinary Connected Transactions in 2016, Independent Opinion of HTSC Independent Non-Executive Directors on the Matters Concerning 2015 Annual Report of the Company, Report on Performance of Duties of Independent Directors of HTSC in 2015, Report on Performance of Duties of Audit Committee under the Board of HTSC in 2015, HTSC Evaluation Report of Internal Control for 2015, Special Explanation on Changes in Accounting Estimates of HTSC for 2015, Special Explanation by HTSC on Non-operating Misappropriation of Funds and Transaction of Other Associated Funds for 2015
18	03/31/2016	Overseas Regulatory Announcement — Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 02" Subordinated Bonds
19	04/05/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2016

No.	Date	Announcement
20	04/06/2016	Approval Concerning the Qualification of Independent Non-Executive Director, List of Directors and their Role and Function
21	04/07/2016	Overseas Regulator Announcement by HTSC on Implementation of Redemption of "15 Huatai 02" Subordinated Bonds
22	04/11/2016	Announcement on Key Financial Information for March 2016, Acquisition of the Entire Issued Share Capital of AssetMark Financial Holdings, Inc., Overseas Regulatory Announcement — Announcement by HTSC on Resolutions of the 30th Meeting of the Third Session of the Board
23	04/13/2016	Overseas Regulatory Announcement — Announcement by HTSC on Payment for the Principal and Interest in 2016 for the First Tranche of Subordinated Bonds (2-Year) under Private Placement of 2014, Announcement by HTSC on Settlement and Payment of Interest for the Second Tranche of Subordinated Bonds of 2015
24	04/15/2016	Announcement on Resolutions of the Board Meeting, Announcement on Resolutions of the Meeting of the Board of Supervisors, Overseas Regulatory Announcement — Independent Opinion of HTSC Independent Directors on the Company's Director Candidate
25	04/18/2016	Date of Board Meeting, Overseas Regulatory Announcement — Announcement by HTSC on Results of Exercise of Redemption of "15 Huatai 02" Subordinated Bonds and Delisting Thereof, Report on the Entrusted Management Affairs in Relation to the Second Tranche of Subordinated Bonds of HTSC of 2015 (Year 2016)
26	04/20/2016	2015 Annual Report, Circular of 2015 Annual General Meeting, Reply Slip for Holders of H Share for Attending the AGM to be Held on 7 June 2016, Form of Proxy of Holders of H Shares for Use at the AGM to be Held on 7 June 2016, Notice of AGM, Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholder. Overseas Regulatory Announcement — Announcement by HTSC on Completion of Settlement of the Second Tranche of Subordinated Bonds (2-Year) of 2015, Document of HTSC 2015 Annual General Meeting, Notice by HTSC on Convening 2015 Annual General Meeting
27	04/28/2016	First Quarterly Report of 2016
28	04/29/2016	Overseas Regulatory Announcement — Announcement by HTSC on Tracking Rating of Corporate Bonds Issued in 2013 and 2015 and Subordinated Bonds Issued in 2014 and 2015, Report on the Entrusted Management Affairs in Relation to the Corporate Bonds of HTSC of 2013 (Year 2015), Report on Tracking Rating of Corporate Bonds of HTSC Issued in 2013 and 2015, Report on Tracking Rating of Subordinated Bonds of HTSC Issued in 2014 and 2015
29	05/04/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2016
30	05/06/2016	Announcement on Key Financial Information for April 2016
31	05/10/2016	Overseas Regulatory Announcement — Announcement by HTSC on Resolutions of the 28th Meeting of the Third Session of the Board

No.	Date	Announcement
32	05/20/2016	The Second Notice of the AGM
33	05/26/2016	Overseas Regulatory Announcement — Announcement by HTSC on Payment for Interest in 2016 for the Corporate Bonds of 2013
34	06/02/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2016
35	06/08/2016	Announcement on Key Financial Information for May 2016, List of Directors and their Role and Function, Poll Results of the Annual General Meeting for 2015, Change of Directors, Change of Supervisor and Payment of Final Dividend
36	06/17/2016	Overseas Regulatory Announcement — Announcement by HTSC on Payment for Interest in 2016 for the Third Tranche of Subordinated Bonds of 2015
37	06/20/2016	List of Directors and their Role and Function.
38	06/21/2016	Announcement on the Resolutions of the Board Meeting, Overseas Regulatory Announcement — Announcement by HTSC on Payment for Interest in 2016 for Corporate Bonds (the First Tranche) of 2015
39	06/29/2016	Overseas Regulatory Announcement — Announcement by HTSC on Resolutions of the 34th Meeting of the Third Session of the Board, Report of the Entrusted Manager in Relation to the Third Tranche of Subordinated Bonds of HTSC of 2015 (Year 2015)
40	06/30/2016	Overseas Regulatory Announcement — Report on the Entrusted Management Affairs in Relation to Corporate Bonds (the First Tranche) of HTSC of 2015 (Year 2015)
41	07/04/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 June 2016
42	07/06/2016	Voluntary Announcement Relating to Acquisition of the Entire Issued Share Capital of AssetMark Financial Holdings, Inc.
43	07/08/2016	Announcement on Key Financial Information for June 2016
44	07/27/2016	Overseas Regulatory Announcement — Announcement by HTSC on Resolutions of the 35th Meeting of the Third Session of the Board
45	07/28/2016	Notice of the Provision of the Net Capital Guarantee for Huatai Asset Management and Notice of The EGM, Notice Of The EGM, Form of Proxy of Holders of H Shares for Use at the EGM to be Held on 13 September 2016, Reply Slip for Holders of H Share for Attending the EGM to be Held on 13 September 2016, Notification Letter and Request Form to Non-Registered Shareholders, Notification Letter and Request Form to Registered Shareholders' Overseas Regulatory Announcement — Notice of Convening the Second Extraordinary General Meeting in 2016, Document of the Second Extraordinary General Meeting of HTSC in 2016, Announcement by HTSC on Implementation of Profits Distribution for 2015
46	08/01/2016	Announcement on the Approval by the CSRC in Relation to the Qualification of Huatai Asset Management to Conduct Management Business of Public Offering of Securities Investment Funds
47	08/02/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 July 2016

No.	Date	Announcement
48	08/04/2016	Announcement on Key Financial Information for July 2016
49	08/09/2016	Date of Board Meeting
50	08/15/2016	Overseas Regulatory Announcement — Announcement by HTSC on Exercise of Redemption Option of "14 Huatai 04" Subordinated Bonds
51	08/16/2016	Overseas Regulatory Announcement — Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "14 Huatai 04" Subordinated Bonds
52	08/18/2016	Overseas Regulatory Announcement — Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "14 Huatai 04" Subordinated Bonds
53	08/19/2016	Announcement for the Interim Results Six Months Ended 30 June 2016, Overseas Regulatory Announcement — Announcement by HTSC on Resolutions of the 36th Meeting of the Third Session of the Board
54	08/22/2016	Overseas Regulatory Announcement — Reminder Notice by HTSC on Exercise of Redemption Option as Issuer of "14 Huatai 04" Subordinated Bonds
55	08/26/2016	Second Notice of 2016 Second Extraordinary General Meeting
56	09/02/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 August 2016
57	09/06/2016	Announcement on the Main Financial Information of August in 2016
58	09/12/2016	Overseas Regulatory Announcement — Announcement by HTSC on Implementation of Redemption of "14 Huatai 04" Subordinated Bonds
59	09/13/2016	Poll Results of the Second Extraordinary General Meeting for 2016
60	09/21/2016	Overseas Regulatory Announcement — Announcement by HTSC on Results of Exercise of Redemption of "14 Huatai 04" Subordinated Bonds and Delisting Thereof, Announcement by HTSC on Settlement and Payment of Interest for the Second Tranche of Subordinated Bonds (4-Year) under Private Placement of 2014
61	09/25/2016	2016 Interim Report, Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholders
62	09/28/2016	Overseas Regulatory Announcement — Announcement by HTSC on Completion of Settlement for the Second Tranche of Subordinated Bonds (4-Year) under Private Placement of 2014
63	10/02/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 September 2016
64	10/11/2016	Overseas Regulatory Announcement — Announcement by HTSC on Resignation of Mr. Wu Xiaodong as Chairman of the Board of a Subsidiary of HTSC
65	10/13/2016	Announcement on Key Financial Information for September 2016
66	10/14/2016	Overseas Regulatory Announcement — Announcement by HTSC on Issuance Results for the Subordinated Bonds (the First Tranche) under Private Placement of 2016
67	10/18/2016	Date of Board Meeting
68	10/21/2016	Overseas Regulatory Announcement — Announcement by HTSC on Changes of Principal Person in Charge of the Subsidiary Company

No.	Date	Announcement
69	10/24/2016	Overseas Regulatory Announcement — Announcement by HTSC on Issuance Results for the Subordinated Bonds (the Second Tranche) under Private Placement of 2016
70	10/28/2016	Third Quarterly Report of the Company of 2016, Announcement and Notice – (1) Proposed Amendments to the Articles of Association; (2) Proposed Amendments to Rules of Procedures of the General Meeting; (3) Proposed Appointment of Members of the Fourth Session of the Board of Directors; and (4) Proposed Appointment of Members of the Fourth Session of the Board of Supervisors, Overseas Regulatory Announcement – Announcement by HTSC on Resolutions of the 37th Meeting of the Third Session of the Board, Announcement by HTSC on Resolutions of the 16th Meeting of the Third Session of the Board of Supervisors, Independent Opinion of HTSC Independent Directors on Nomination of the Company's Directors Candidates, HTSC Independent Directors Candidates Statement, HTSC Independent Directors Nominator Statement, HTSC Working Rules of the President (2016 Revised Draft)
71	11/01/2016	Voluntary Announcement — Completion of the Acquisition of the Entire Issued Share Capital of AssetMark Financial Holdings, Inc.
72	11/03/2016	Circulars Letter — Proposed Amendments to the Articles of Association, Proposed Amendments to Rules of Procedures of the General Meeting, Proposed Appointment of Members of the Fourth Session of the Board, Proposed Appointment of Members of the Fourth Session of the Board of Supervisors and Notice of the EGM, Notice of the EGM, Form of Proxy of Holders of H Shares for Use at the EGM to be Held on 21 December 2016, Reply Slip for Holders of H Shares for Attending the EGM to be Held on 21 December 2016, Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholders, Announcement on the Change of the Date of the EGM
73	11/04/2016	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 October 2016, Announcement on Key Financial Information for October 2016
74	11/08/2016	Overseas Regulatory Announcement — Announcement by HTSC on Obtaining Permission to Conduct Southbound Trading under Shenzhen-Hong Kong Stock Connect from Shenzhen Stock Exchange
75	11/17/2016	Overseas Regulatory Announcement — Announcement by HTSC on Receiving the Approval of Public Issuance of Corporate Bonds from CSRC
76	11/28/2016	Announcement on Receipt of Notice of Administrative Penalty from the CSRC
77	12/01/2016	Overseas Regulatory Announcement — Announcement by HTSC on Issuance of Corporate Bonds (the First Tranche) of 2016
78	12/02/2016	Second Notice of the 2016 Third Extraordinary General Meeting, Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 November 2016

No.	Date	Announcement
79	12/05/2016	Overseas Regulatory Announcement — Announcement by HTSC on Coupon Rate of Corporate Bonds (the First Tranche) of 2016
80	12/07/2016	Announcement on Key Financial Information for November 2016, Overseas Regulatory Announcement — Announcement by HTSC on Issuance Results for Corporate Bonds (the First Tranche) of 2016
81	12/09/2016	Overseas Regulatory Announcement — Announcement by HTSC on Issuance of Corporate Bonds (the Second Tranche) of 2016
82	12/12/2016	Overseas Regulatory Announcement — Announcement by HTSC on Increasing Registered Capital of Huatai Zijin Investment Co., Ltd., Announcement by HTSC on Listing of Corporate Bonds (the First Tranche) of 2016 in Shanghai Stock Exchange
83	12/13/2016	Overseas Regulatory Announcement — Announcement by HTSC on Coupon Rate of Corporate Bonds (the Second Tranche) of 2016
84	12/15/2016	Overseas Regulatory Announcement — Announcement by HTSC on Issuance Results for Corporate Bonds (the Second Tranche) of 2016
85	12/21/2016	List of Directors and their Role and Function, Poll Results of the Third Extraordinary General Meeting for 2016, Appointment of Members of the Fourth Session of the Board, Appointment of Members of the Fourth Session of the Board of Supervisors, Role of Members of the Fourth Session of the Board and Appointment of President, Overseas Regulatory Announcement — Announcement by HTSC on Listing of Corporate Bonds (the Second Tranche) of 2016 in Shanghai Stock Exchange, Announcement by HTSC on Resolutions of the First Meeting of the Fourth Session of the Board
86	12/28/2016	Overseas Regulatory Announcement — Announcement by HTSC on Changes of Registered Address of Huatai Futures Co., Ltd., a Holding Subsidiary of HTSC

HUATAI SECURITIES CO., LTD.

(STOCK CODE: 6886)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

Independent auditor's report to the shareholders of Huatai Securities Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 12 to 162, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Independent auditor's report (continued)

Key audit matters (continued)

Revenue recognition: Fee and commission income	
Refer to note 5 to the consolidated financial statements and the accounting policies on page 44.	
The Key Audit Matter	**How the matter was addressed in our audit**
Fee and commission income represented over 45% of the total revenue of the Group for the year ended 31 December 2016. Fee and commission income mainly comprises brokerage commission income, asset management fees, underwriting and sponsoring fees and financial advisory fees. Brokerage commission income arising from brokerage trading of investment securities is recognised on a trade date basis. Asset management fees, underwriting and sponsoring fees and financial advisory fees are recognised when the corresponding service is provided and when the Group is entitled to receive the fees in accordance with the terms of the related client service agreement. The determination of the timing of recognition of asset management fees, underwriting and sponsoring fees and financial advisory fees can involve significant management judgement in assessing when the Group is entitled to receive the fees. We identified the recognition of fee and commission income as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk that the recognition of revenue could be subject to manipulation to meet targets or expectations.	Our audit procedures to assess the recognition of fee and commission income included the following: • assessing the design, implementation and operating effectiveness of key internal controls which govern revenue recognition; • inspecting client service agreements, on a sample basis, and evaluating whether revenue was recognised in accordance with the terms of the agreements and the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • for brokerage commission income, reconciling the daily transaction volume with the transaction data received from exchanges and clearing houses and comparing the commission rates for individual clients with relevant client service agreements on a sample basis; • performing recalculations of asset management fees recognised during the year, on a sample basis, with reference to the value of assets under management and management fee rates as stipulated in the relevant asset management contracts; • selecting a sample of active underwriting, sponsoring and financial advisory transactions for which revenue was recognised during the current year and performing the following procedures: - inquiring of the Group about the project status and inspecting information published on websites of regulators or exchanges to ascertain the completion of the selected projects;

Independent auditor's report (continued)

Key audit matters (continued)

Revenue recognition: Fee and commission income (continued)	
Refer to note 5 to the consolidated financial statements and the accounting policies on page 44.	
The Key Audit Matter	**How the matter was addressed in our audit**
	- based on our understanding of the completion status of the selected projects, comparing the fees recognised with details in the relevant client service agreement to assess whether the revenue was recognised in the appropriate accounting period; • assessing, on a sample basis, whether revenue transactions around the financial year end had been recognised in the appropriate financial period by: (i) comparing brokerage commission income calculated automatically on the trade date basis in the brokerage trading system with the related revenue recognised in the revenue ledger; and (ii) inspecting terms in client service agreements in respect of the nature, basis of calculation and timing of revenue recognition for asset management fees, underwriting and sponsoring fees, and financial advisory fees; • inspecting manual adjustments to revenue raised during and after the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments to relevant underlying documentation; • for the key underlying systems used for the processing of transactions in relation to fee and commission income, utilising our information technology ("IT") specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the general IT controls over these underlying systems, including controls over access to these systems and controls over data, program change and computer operation.

Independent auditor's report (continued)

Key audit matters (continued)

Assessing the fair value of financial instruments	
Refer to note 61 to the consolidated financial statements and the accounting policies on page 31.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2016, the fair value of the Group's financial assets and financial liabilities totalled RMB126,950 million and RMB28,784 million respectively. Financial assets of RMB59,460 million and financial liabilities of RMB1,555 million were classified under the fair value hierarchy as level 1, financial assets of RMB56,084 million and financial liabilities of RMB15,778 million were classified as level 2 and financial assets of RMB11,407 million and financial liabilities of RMB11,451 million were classified as level 3. The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of certain level 2 and level 3 financial instruments, estimates need to be developed which can involve significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments; • assessing the fair values of all financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data; • reading investment agreements entered into during the current year, for a sample of level 2 and level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments; • engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;

Key audit matters (continued)

Assessing the fair value of financial instruments (continued)	
Refer to note 61 to the consolidated financial statements and the accounting policies on page 31.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.
Consolidation of structured entities	
Refer to note 56 to the consolidated financial statements and the accounting policies on page 49.	
The Key Audit Matter	**How the matter was addressed in our audit**
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust scheme or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein. The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.	Our audit procedures to assess the consolidation of structured entities included the following: • making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard; • selecting a sample of structured entities for each key product type and performing the following procedures for each item selected: - inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

Key audit matters (continued)

Consolidation of structured entities (continued)	
Refer to note 56 to the consolidated financial statements and the accounting policies on page 49.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2016, the carrying amount of the Group's interests in structured entities sponsored by third party institutions which the Group did not consolidate was RMB53,555 million whilst the carrying amounts of the Group's interests in structured entities sponsored by the Group which the Group did and did not consolidate were RMB6,808 million and RMB570 million, respectively. We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.	- evaluating the risk and reward structure of the structured entity including any capital or return guarantee, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity; - evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with its economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; - evaluating management's judgement over whether the structured entity should be consolidated or not; • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Key audit matters (continued)

Recognition of goodwill and intangible assets arising from the acquisition of AssetMark Financial Holdings, Inc. ("AssetMark")	
Refer to note 22, note 23 and note 24 (c) to the consolidated financial statements and the accounting policies on pages 27, 38 and 39.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group acquired a 98.952% equity interest in AssetMark on 31 October 2016 through Huatai Financial Holdings (Hong Kong) Limited, a subsidiary of the Group, for a consideration of approximately USD768 million (equivalent to RMB5,198 million). Management engaged an external appraiser to assess the fair value of the intangible assets acquired and recognised intangibles assets, which mainly comprised existing relationships with broker-dealers and trade names, based on a purchase price allocation report issued by the external appraiser. In determining the fair value of the acquired intangible assets, valuation models, which included discounted cash flow forecasts, were prepared by the external appraiser with reference to financial information compiled by management. The preparation of discounted cash flow forecasts involves the exercise of significant judgement and estimation, in particular in determining the key inputs, which included assets under management, budgeted income, the long-term growth rate, profit margins and the discount rates applied.	Our audit procedures to assess the recognition of goodwill and intangible assets arising from the acquisition of AssetMark included the following: • inspecting the acquisition agreement, the board resolution in connection with the acquisition and other relevant documents to identify the key transaction terms and conditions, including the purchase consideration and the completion date, which are relevant in considering the accounting treatment for the acquisition; • comparing details of the consideration transferred with bank statements, bank remittance slips and other relevant documentation; • evaluating the competence, capabilities and objectivity of the external appraiser appointed by management to assess the fair value of the intangible assets acquired; • engaging our internal valuation specialists to assist us in evaluating the valuation methodologies and the key assumptions adopted in the valuation models, with reference to the requirements of the prevailing accounting standards;

Independent auditor's report (continued)

Key audit matters (continued)

Recognition of goodwill and intangible assets arising from the acquisition of AssetMark Financial Holdings, Inc. ("AssetMark") (continued)	
Refer to note 22, note 23 and note 24 (c) to the consolidated financial statements and the accounting policies on pages 27, 38 and 39.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group recognised the excess of the fair value of the consideration transferred over the fair value of the net identifiable assets acquired as goodwill in the consolidated financial statements. As at 31 October 2016, the carrying values of the related goodwill and intangible assets were RMB1,989 million and RMB4,959 million, respectively. We identified assessing the recognition of goodwill and intangible assets arising from the acquisition of AssetMark as a key audit matter because of their significance to the consolidated financial statements and because estimating the fair value of goodwill and identifiable intangible assets arising from the acquisition is highly subjective as significant judgement and estimation is required to be exercised.	• challenging the key assumptions and critical judgements adopted in the valuation models by comparing key inputs, which included assets under management, budgeted income, the long-term growth rate and profit margins with historical performance, financial forecasts approved by the Board of Directors, recent business pipeline reports, industry research reports and industry statistics; • evaluating the discount rates applied in the discounted cash flow forecasts by comparing the discount rates in the purchase price allocation report with discount rates we calculated based on market data for similar companies in the same industry; • re-performing the mathematical calculation of goodwill prepared by management and evaluating whether goodwill and intangible assets arising from the acquisition were recognised with reference to the requirements of the prevailing accounting standards; • considering the disclosures in connection with goodwill and intangible assets arising from the acquisition of AssetMark in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Independent auditor's report (continued)

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the Audit Committee, 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 this independent auditor's report is Pang Shing Chor Eric.

KPMG
Certified Public Accountants

8th Floor, Prince's Building,
10 Chater Road
Central, Hong Kong
30 March 2017

Consolidated income statements
For the year ended 31 December 2016
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Revenue			
Fee and commission income	5	11,409,918	20,200,431
Interest income	6	8,877,946	11,893,681
Net investment gains	7	3,976,115	6,757,198
Total revenue		24,263,979	38,851,310
Other income and gains	8	367,649	564,215
Total revenue and other income		24,631,628	39,415,525
Fee and commission expenses	9	(2,561,665)	(5,675,615)
Interest expenses	10	(5,393,487)	(7,812,191)
Staff costs	11	(5,648,420)	(8,141,192)
Depreciation and amortisation expenses	12	(408,527)	(332,752)
Tax and surcharges		(450,613)	(1,722,544)
Other operating expenses	13	(2,066,228)	(1,814,551)
Reversal of/(provision for) impairment losses	14	36,753	(73,259)
Total expenses		(16,492,187)	(25,572,104)
Operating profit		8,139,441	13,843,421
Share of profit of associates and joint venture		453,987	420,076
Profit before income tax		8,593,428	14,263,497
Income tax expense	15	(2,073,940)	(3,465,589)
Profit for the year		6,519,488	10,797,908
Attributable to:			
Shareholders of the Company		6,270,612	10,696,871
Non-controlling interests		248,876	101,037
		6,519,488	10,797,908
Basic and diluted earnings per share (in Renminbi per share)	19	0.88	1.65

The notes on pages 23 to 162 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 54(h).

Consolidated statements of profit or loss and other comprehensive income
For the year ended 31 December 2016
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Profit for the year		6,519,488	10,797,908
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Net changes in fair value		1,450,207	1,731,473
– Reclassified to profit or loss		(567,296)	(19,462)
Share of other comprehensive income of associates and joint venture		158,913	120,270
Exchange differences on translation of financial statements in foreign currencies		342,910	48,677
Income tax impact		(319,250)	(445,892)
Total other comprehensive income for the year, net of tax	18	1,065,484	1,435,066
Total comprehensive income for the year		7,584,972	12,232,974
Attributable to:			
Shareholders of the Company		7,153,916	12,107,098
Non-controlling interests		431,056	125,876
Total		7,584,972	12,232,974

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of financial position
As at 31 December 2016

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2016	2015
Non-current assets			
Property and equipment	20	3,567,451	3,379,018
Investment properties	21	1,130,268	1,301,531
Goodwill	22	2,091,252	51,342
Other intangible assets	23	5,509,024	424,968
Interest in associates	25	3,075,521	2,673,834
Interest in joint venture	26	301,756	-
Held-to-maturity investments	27	5,000	5,000
Available-for-sale financial assets	28	31,218,115	25,624,381
Financial assets held under resale agreements	29	8,930,396	3,843,367
Financial assets at fair value through profit or loss	30	1,294,444	1,200,000
Refundable deposits	31	8,158,628	6,009,300
Deferred tax assets	32	556,094	212,609
Other non-current assets	33	79,070	78,174
Total non-current assets		65,917,019	44,803,524
Current assets			
Accounts receivable	34	991,413	621,554
Other receivables and prepayments	35	5,070,483	3,896,218
Margin accounts receivable	36	56,605,104	67,432,118
Available-for-sale financial assets	28	12,518,447	12,494,340
Financial assets held under resale agreements	29	37,400,786	21,791,161
Financial assets at fair value through profit or loss	30	81,812,787	130,038,108
Derivative financial assets	37	106,591	334,750
Clearing settlement funds	38	1,228,801	2,551,703
Cash held on behalf of brokerage clients	39	94,568,934	131,944,524
Cash and bank balances	40	45,230,032	36,706,615
Total current assets		335,533,378	407,811,091
Total assets		401,450,397	452,614,615

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of financial position
As at 31 December 2016 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2016	2015
Current liabilities			
Short-term bank loans	42	460,255	688,322
Short-term debt instruments issued	43	1,621,000	1,053,004
Placements from other financial institutions	44	6,650,000	3,000,000
Accounts payable to brokerage clients	45	92,728,837	128,367,379
Employee benefits payable	46	2,517,090	2,807,787
Other payables and accruals	47	79,671,695	99,320,062
Current tax liabilities		495,647	2,193,031
Financial assets sold under repurchase agreements	48	19,463,375	22,392,019
Financial liabilities at fair value through profit or loss	49	2,756,267	14,479,838
Derivative financial liabilities	37	864,011	2,460,345
Long-term bank loans due within one year	50	-	125,000
Long-term bonds due within one year	51	25,900,000	2,998,178
Total current liabilities		233,128,177	279,884,965
Net current assets		102,405,201	127,926,126
Total assets less current liabilities		168,322,220	172,729,650
Non-current liabilities			
Long-term bonds	52	49,947,816	69,374,000
Long-term bank loans	53	-	359,985
Non-current employee benefits payable	46	4,988,352	3,366,621
Deferred tax liabilities	32	2,562,144	351,819
Financial assets sold under repurchase agreements	48	-	10,800,000
Financial liabilities at fair value through profit or loss	49	25,163,711	6,948,454
Total non-current liabilities		82,662,023	91,200,879
Net assets		85,660,197	81,528,771

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of financial position
As at 31 December 2016 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December 2016	2015
Equity			
Share capital	54	7,162,769	7,162,769
Reserves	54	60,999,752	58,390,133
Retained profits	54	16,194,936	15,232,023
Total equity attributable to shareholders of the Company		84,357,457	80,784,925
Non-controlling interests		1,302,740	743,846
Total equity		85,660,197	81,528,771

Approved and authorised for issue by the board of directors on 30 March 2017.

Zhou Yi	Chen Chuanming
Chairman of the Board, Director and President	Director

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of changes in equity
For the year ended 31 December 2016
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
		Reserves								
	Share capital (Note 54)	*Capital reserve* (Note 54)	*Surplus reserve* (Note 54)	*General reserve* (Note 54)	*Fair value reserve* (Note 54)	*Translation reserve* (Note 54)	*Retained profits*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2016	7,162,769	45,837,763	2,607,376	6,681,123	3,237,861	26,010	15,232,023	80,784,925	743,846	81,528,771
Changes in equity for 2016										
Profit for the year	-	-	-	-	-	-	6,270,612	6,270,612	248,876	6,519,488
Other comprehensive income	-	-	-	-	537,843	345,461	-	883,304	182,180	1,065,484
Total comprehensive income	-	-	-	-	537,843	345,461	6,270,612	7,153,916	431,056	7,584,972
Issuance of H shares	-	-	-	-	-	-	-	-	-	-
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	67,723	67,723
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	60,115	60,115
Appropriation to surplus reserve	-	-	463,819	-	-	-	(463,819)	-	-	-
Appropriation to general reserve	-	-	-	1,262,496	-	-	(1,262,496)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(3,581,384)	(3,581,384)	-	(3,581,384)
As at 31 December 2016	7,162,769	45,837,763	3,071,195	7,943,619	3,775,704	371,471	16,194,936	84,357,457	1,302,740	85,660,197

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of changes in equity
For the year ended 31 December 2016 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
		Reserves								
	Share capital (Note 54)	*Capital reserve* (Note 54)	*Surplus reserve* (Note 54)	*General reserve* (Note 54)	*Fair value reserve* (Note 54)	*Translation reserve* (Note 54)	*Retained profits*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2015	5,600,000	17,221,261	1,692,854	4,611,610	1,889,206	(35,562)	10,319,187	41,298,556	645,852	41,944,408
Changes in equity for 2015										
Profit for the year	-	-	-	-	-	-	10,696,871	10,696,871	101,037	10,797,908
Other comprehensive income	-	-	-	-	1,348,655	61,572	-	1,410,227	24,839	1,435,066
Total comprehensive income	-	-	-	-	1,348,655	61,572	10,696,871	12,107,098	125,876	12,232,974
Issuance of H shares	1,562,769	28,590,928	-	-	-	-	-	30,153,697	-	30,153,697
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	171	171
Capital transaction with non-controlling shareholders of a subsidiary	-	25,574	-	-	-	-	-	25,574	(28,053)	(2,479)
Appropriation to surplus reserve	-	-	914,522	-	-	-	(914,522)	-	-	-
Appropriation to general reserve	-	-	-	2,069,513	-	-	(2,069,513)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(2,800,000)	(2,800,000)	-	(2,800,000)
As at 31 December 2015	7,162,769	45,837,763	2,607,376	6,681,123	3,237,861	26,010	15,232,023	80,784,925	743,846	81,528,771

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of cash flow
For the year ended 31 December 2016
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Cash flows from operating activities:			
Profit before income tax		8,593,428	14,263,497
Adjustments for:			
Interest expenses		5,393,487	7,812,191
Share of profit of associates and joint venture		(453,987)	(420,076)
Depreciation and amortisation expenses		408,527	332,752
(Reversal of)/provision for impairment losses		(36,753)	73,259
(Gains)/losses on disposal of property and equipment		(8,916)	4,064
Foreign exchange losses/(gains)		14,427	(370,028)
Net realised gains from available-for-sale financial assets and other investments		(1,459,893)	(1,130,112)
Dividend income and interest income from available-for-sale financial assets and held-to-maturity investments		(248,366)	(307,725)
Unrealised fair value changes in financial instruments through profit or loss		1,754,349	(732,588)
Unrealised fair value changes in derivatives		(1,334,949)	1,384,265
Operating cash flows before movements in working capital		12,621,354	20,909,499

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of cash flow
For the year ended 31 December 2016 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Cash flows from operating activities (continued):			
Increase in refundable deposits		(2,149,328)	(1,526,455)
Decrease/(increase) in margin accounts receivable		10,827,660	(2,855,159)
Increase in accounts receivables, other receivables and prepayments		(1,171,798)	(2,042,053)
Increase in financial assets held under resale agreements		(14,751,970)	(5,857,590)
Decrease/(increase) in financial instruments at fair value through profit or loss		48,771,961	(59,667,820)
Increase in restricted bank deposits		(104,963)	(15,083,484)
Decrease/(increase) in cash held on behalf of brokerage clients		37,375,590	(60,408,214)
(Decrease)/increase in accounts payable to brokerage clients		(35,638,542)	58,138,974
(Decrease)/increase in other payables and accruals		(19,187,901)	39,399,234
Increase in employee benefits payable and other non-current liabilities		1,331,035	3,728,376
Decrease in financial assets sold under repurchase agreements		(13,728,644)	(16,476,209)
Increase in placements from other financial institutions		3,650,000	1,500,000
Cash generated from/(used in) operations		27,844,454	(40,240,901)
Income taxes paid		(3,942,617)	(2,360,181)
Interest paid		(1,881,975)	(3,816,650)
Net cash generated from/(used in) operating activities		22,019,862	(46,417,732)

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of cash flow
For the year ended 31 December 2016 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Cash flows from investing activities:			
Proceeds on disposal of property and equipment		16,393	4,454
Dividends received from associates		211,000	135,000
Dividends and interest received from available-for-sale financial assets and other investments		248,366	307,725
Proceeds from other limited partners' interest in private funds		4,227,328	4,263,544
Proceeds on disposal of available-for-sale financial assets		1,459,893	1,130,112
Proceeds on disposal of an associate		35,006	-
Cash paid for acquisition of subsidiaries, net of cash and bank balances acquired		(4,885,017)	-
Purchases of property and equipment, investment properties, other intangible assets and other non-current assets		(600,368)	(837,197)
Purchases of associates and joint venture		(336,550)	(446,160)
Purchases of available-for-sale financial assets		(4,838,702)	(25,679,818)
Net cash used in investing activities		(4,462,651)	(21,122,340)

The notes on pages 23 to 162 form part of these financial statements.

Consolidated statements of cash flow
For the year ended 31 December 2016 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Cash flows from financing activities:			
Net proceeds from issuance of H shares		-	30,587,690
Capital injection from non-controlling shareholders		67,723	-
Proceeds from non-controlling interests		-	51,172
Proceeds from issuance of short-term debt instruments		5,035,260	25,655,580
Proceeds from issuance of long-term bonds		29,180,000	53,324,060
Proceeds from bank loans		-	1,034,649
Repayment of bank loans		(756,381)	-
Repayment of debt securities issued		(30,837,709)	(51,214,646)
Short-term debt instruments interest paid		(82,636)	(802,563)
Long-term bonds interest paid		(3,911,396)	(1,513,617)
Dividends paid		(3,581,384)	(2,800,000)
Payment for other financing activities		(123,140)	(489,236)
Net cash (used in)/generated from financing activities		(5,009,663)	53,833,089
Net increase/(decrease) in cash and cash equivalents		12,547,548	(13,706,983)
Cash and cash equivalents at the beginning of the year		18,595,759	31,883,884
Effect of foreign exchange rate changes		508,307	418,858
Cash and cash equivalents at the end of the year	41	31,651,614	18,595,759

The notes on pages 23 to 162 form part of these financial statements.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 General information

Huatai Securities Co., Ltd. (the "Company"), formerly known as Jiangsu Securities Company, was approved by the People's Bank of China ("PBOC"), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

The Company publicly issued RMB784,561 thousand ordinary shares (A shares) in February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010.

In June 2015, the Company issued RMB1,562,769 thousand H shares, which were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

As at 31 December 2016, the Company's registered capital was RMB7,162,769 thousand and the Company has a total of 7,162,769 thousand issued shares of RMB1 each.

The Company and its subsidiaries (the "Group") principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, mutual fund management, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business, industrial investment, import and export of commodity, entrepot trade, commodity sales service, hotel operation and other business activities as approved by the China Securities Regulatory Commission("CSRC").

2 Basis of preparation

(1) Statement of compliance

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the financial statements, the Group has adopted all applicable new and revised IFRSs to the year ended 31 December 2016, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2016. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2016 are set out in Note 63.

(2) Basis of measurement

The financial statements has been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in Note 3(e).

(3) Functional and presentation currency

The financial statements is presented in Renminbi ("RMB"), which is the functional currency of the Group. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group's functional currency if the subsidiaries' functional currencies are not the same as that of the Group.

(4) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. 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 and in any future periods affected.

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

3 Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 3(a) (ii)).

In 's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3(b) and (l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

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

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(e)).

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates and joint ventures (continued)

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3(l)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(c) Foreign currency

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

3 Significant accounting policies (continued)

(c) Foreign currency (continued)

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognised as other comprehensive income in capital reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of reporting period. The equity items, excluding "retained profits", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

(e) Financial instruments

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

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

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

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

3 Significant accounting policies (continued)

(e) Financial instruments (continued)

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

Financial assets and financial liabilities are categorised as follows:

Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is prohibited.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3(e)(iii)).

Held-to-maturity investments

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

- those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or

3 Significant accounting policies (continued)

(e) Financial instruments (continued)

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

Held-to-maturity investments (continued)

- those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (see Note 3(e)(iii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend (see Note 3(s)(vi)). Impairment losses are recognised in profit or loss (see Note 3(e)(iii)).

Other fair value changes, other than impairment losses (see Note 3(e)(iii)), are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Other financial liabilities

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

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

3 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(iii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

3 Significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loans and receivables

The Group assess impairment losses on a collective basis. Loans and receivables are grouped for similar aging characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Held-to-maturity investments

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

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

Available-for-sale financial assets

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

3 Significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

For the available-for-sale equity investment, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. The Group generally considers a significant decline to be one in which the fair value is below its original cost by 50% or more or a prolonged decline to be one in which fair value is below cost in declining trend for 12 months or longer, upon which impairment loss is recognised. The Group also takes into consideration of other specific relevant factors through the whole investing period when assessing whether there is objective evidence that the available-for-sale equity investment is under a significant or prolonged decline in the fair value.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

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

3 Significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Derecognition of financial assets and financial liabilities

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

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

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

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

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

3 Significant accounting policies (continued)

(e) Financial instruments (continued)

(vii) Derivative financial instruments

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

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

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

(viii) Asset-backed securities

The Group securitises the financial assets, which generally results in the sale of these financial assets to structured entities. The structured entities in turn issue asset-backed securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, or other residual interests. For asset securitisation business, the Group has applied the accounting policies set out in Note 3(a) when assessing consolidation of the structured entities and applied the accounting policies described in Note 3(e)(iv) when assessing whether or not to derecognise the transferred financial assets.

(f) Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin financing receivables as loans and receivables, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using effective interest rate method.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

3 Significant accounting policies (continued)

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

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(h) Investments in subsidiaries

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 3(a).

In the Company's statements of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 3(l)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

(i) Property and equipment and construction in progress

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

3 Significant accounting policies (continued)

(i) Property and equipment and construction in progress (continued)

(i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

3 Significant accounting policies (continued)

(i) Property and equipment and construction in progress (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Types of assets	*Estimated useful lives*	*Estimated residual values*	*Depreciation rates*
Buildings	30 - 50 years	3%	1.94% - 3.23%
Motor vehicles	3 - 8 years	3%	12.13% - 32.33%
Electronic equipment	5 years	3%	19.40%
Furniture and fixtures	2 - 5 years	3%	19.40% - 48.50%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 3(l)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	Estimated useful lives	*Estimated residual values*	*Depreciation rates*
Investment property	30 - 35 years	3%	2.77% - 3.23%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

(k) Other intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 3(l)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

3 Significant accounting policies (continued)

(k) Other intangible assets (continued)

The respective amortisation periods for intangible assets are as follows:

Types of assets	*Estimated useful lives*
Existing relationships with broker-dealers	Indefinite
Land-use right	50 years
Trade names	20 years
Software and others	2 - 20 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

(l) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- investment property
- other intangible assets
- equity investment in subsidiaries, associates and joint venture
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

3 Significant accounting policies (continued)

(l) Impairment of non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3 Significant accounting policies (continued)

(n) Share-based payments

(i) Classification of share-based payments

Share-based payment transactions in the Group are cash-settled share-based payments.

(ii) Accounting treatment of share-based payments

– cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recongised in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3 Significant accounting policies (continued)

(o) Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3 Significant accounting policies (continued)

(p) Operating leases

(i) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

(ii) Assets leased out under operating leases

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 3(i)(iii). Impairment losses are recognised in accordance with the accounting policies described in Note 3(l). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income in the accounting period in which they are earned.

(q) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3 Significant accounting policies (continued)

(r) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

(i) Commission income from brokerage business

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(ii) Underwriting and sponsor fees

Underwriting and sponsor fees are recognised when the obligation of underwriting or sponsorship is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be calculated reliably.

(iii) Advisory fees

Revenue arising from advisory services is recognised on completion of such services.

(iv) Asset management fees

Asset management fees are recognised when the Group is entitled to receive the income under the asset management agreement.

(v) Interest income

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

3 Significant accounting policies (continued)

(s) Revenue recognition (continued)

(vi) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity investments.

(vii) Other income

Other income is recognised on an accrual basis.

(t) Expenses recognition

(i) Commission expenses

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

(ii) Interest expenses

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(iv) Other expenses

Other expenses are recognised on an accrual basis.

(u) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

3 Significant accounting policies (continued)

(v) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

(w) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Significant accounting policies (continued)

(x) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(y) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

(i) Impairment of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets and held-to-maturity investments, we assess periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

3 Significant accounting policies (continued)

(y) Significant accounting estimates and judgements (continued)

(ii) Impairment of capital-based intermediary businesses

The Group reviews the capital-based intermediary businesses (including margin financing and securities lending, securities-backed lending and stock repurchase) to assess the 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. The Group makes an estimate of the value of the collaterals received from the customers firstly on an individual basis, then on a collective basis in determining the impairment. The methodology and assumptions used for estimating impairment of capital-based intermediary businesses are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(iii) Impairment of receivables

Receivables that are measured at amortised cost are reviewed at each end of reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor and other factors. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

(iv) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(v) Depreciation and amortisation

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

3 Significant accounting policies (continued)

(y) Significant accounting estimates and judgements (continued)

(vi) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vii) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as the manager or investment consultant, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

4 Taxation

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period.	3% - 17%[(i)(ii)]
Business tax	Based on taxable revenue before 1 May 2016. According to Caishui [2016] No. 36, jointly issued by Ministry of Finance of the People's Republic of China and the State Administration of Taxation, all taxpayers subject to business tax in the Mainland China are included in the scope of the VAT pilot scheme. Effective from 1 May 2016, those taxpayers are required to pay VAT in lieu of business tax.	5%
City maintenance and construction tax	Based on business tax and value added tax paid	1% - 7%
Education surcharge	Based on business tax and value added tax paid	2% - 3%
Income tax	Based on taxable profits	25%[(iii)]

(i) According to Notice on Clarifying VAT Policies for Financial Services, Real Estate Development, and Educational Ancillary Services (Cai Shui [2016] No. 140) issued by the Ministry of Finance and State Administration of Taxation on 21 December 2016, managers of asset management products shall pay VAT for their taxable activities during the operation of asset management products, effective from 1 May 2016.

(ii) According to Supplementary Notice on Issues concerning VAT Policies for Asset Management Products (Cai Shui [2017] No. 2) issued by the Ministry of Finance and State Administration of Taxation on 6 January 2017, effective from 1 July 2017, managers of asset management products shall pay VAT for their taxable activities during the operation of asset management products according to the current regulations. Where taxable activities occur before 1 July 2017 during the operation of asset management products and VAT has not been paid for such activities yet, VAT will not be paid any longer.

(iii) The income tax rate applicable to the Company and its domestic subsidiaries is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.Taxes of other overseas subsidiaries are charged at the relevant local rates.

5 Fee and commission income

	Year ended 31 December	
	2016	*2015*
Income from securities brokerage and advisory business	7,669,113	17,946,883
Income from futures brokerage business	277,219	226,169
Income from underwriting and sponsorship business	1,512,620	1,036,976
Income from financial advisory business	659,409	553,880
Income from asset management business	1,168,405	389,591
Other commission income	123,152	46,932
Total	11,409,918	20,200,431

6 Interest income

	Year ended 31 December	
	2016	*2015*
Interest income from margin financing and securities lending	4,283,385	6,888,494
Interest income from financial institutions	3,130,245	3,906,602
Interest income from securities-backed lending and stock repurchases	1,390,201	1,052,472
Interest income from other financial assets held under resale agreements	54,468	40,696
Others	19,647	5,417
Total	8,877,946	11,893,681

7 Net investment gains

	Year ended 31 December	
	2016	*2015*
Net realised gains from disposal of available-for-sale financial assets	1,459,893	1,130,112
Dividend income and interest income from available-for-sale financial assets	248,145	307,496
Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss	(1,198,505)	3,693,752
Dividend income and interest income from financial instruments at fair value through profit or loss	2,414,998	2,665,918
Net realised gains/(losses) from disposal of derivative financial instruments	1,391,067	(324,275)
Interest income from held-to-maturity investments	221	229
Unrealised fair value changes of financial instruments at fair value through profit or loss	(1,754,349)	732,588
Unrealised fair value changes of derivative financial instruments	1,414,645	(1,448,622)
Total	3,976,115	6,757,198

8 Other income and gains

	Year ended 31 December	
	2016	*2015*
Government grants	138,505	14,366
Rental income	68,410	49,624
Foreign exchange (losses)/gains	(14,427)	370,028
Income from commodity sales	11,277	25,748
Gains on disposal of property and equipment	10,989	492
Others	152,895	103,957
Total	367,649	564,215

The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

9 Fee and commission expenses

	Year ended 31 December	
	2016	*2015*
Expenses for securities brokerage and advisory business	2,335,713	5,402,524
Expenses for futures brokerage business	15,945	18,909
Expenses for underwriting and sponsorship business	53,102	32,936
Expenses for financial advisory business	21,879	6,811
Expenses for asset management business	128,068	199,077
Other commission expenses	6,958	15,358
Total	2,561,665	5,675,615

10 Interest expenses

	Year ended 31 December	
	2016	*2015*
Interest expenses on financial assets sold under repurchase agreements	974,341	2,769,733
Interest expenses of accounts payable to brokerage clients	436,754	577,308
Interest expenses on placements	154,971	161,778
Interest expenses on short-term debt instruments issued	78,645	1,095,298
Interest expenses on long-term bonds	3,294,413	2,745,891
Interest expenses on gold leasing	372,060	439,628
Interest expenses on short-term bank loans	27,640	1,185
Interest expenses on long-term bank loans	15,009	-
Others	39,654	21,370
Total	5,393,487	7,812,191

11 Staff costs

	Note	*Year ended 31 December*	
		2016	*2015*
Salaries, bonuses and allowances		5,047,574	7,708,701
Contribution to pension schemes		188,885	133,689
Cash-settled share-based payment expenses	46(a)	3,646	-
Other social welfare		408,315	298,802
Total		5,648,420	8,141,192

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. The contributions to the social security plans are expensed as incurred.

12 Depreciation and amortisation expenses

	Year ended 31 December	
	2016	*2015*
Depreciation of property and equipment	194,049	161,570
Depreciation of investment properties	39,079	34,907
Amortisation of other intangible assets	131,616	80,858
Amortisation of leasehold improvements and long-term deferred expenses	43,783	55,417
Total	408,527	332,752

13 Other operating expenses

	Year ended 31 December	
	2016	*2015*
Rental expenses	246,301	223,510
Securities investor protection funds	241,871	142,037
Stock exchange fees	177,162	183,175
Consulting fees	152,115	60,116
Marketing, advertising and promotion expenses	143,587	66,808
Postal and communication expenses	137,622	146,470
Business travel expenses	111,451	91,217
Business entertainment expenses	105,286	98,871
IT expenses	95,876	37,977
Utilities	40,007	47,633
Auditors' remuneration	9,969	7,330
Cost of commodity sales	2,997	37,515
Penalty provision[(1)]	-	72,941
Others	601,984	598,951
Total	2,066,228	1,814,551

(1) The Group made the penalty provision of RMB72,941 thousand according to the Notice of Proposed Administrative Penalty (CF Zi [2015] No. 72) from the CSRC in 2015. This penalty has been paid by the Group according to the Decision of Proposed Administrative Penalty ([2016] No. 126) from the CSRC in 2016.

14 (Reversal of)/provision for impairment losses

	Year ended 31 December	
	2016	2015
Provision for impairment losses against accounts receivable	2,774	1,452
Reversal of impairment losses against other receivables and prepayments	(54,499)	(3,985)
(Reversal of)/provision for impairment losses against margin accounts receivable	(646)	59,780
Provision for impairment losses against financial assets held under resale agreements	15,618	16,012
Total	(36,753)	73,259

15 Income tax expense

(a) Taxation in the consolidated income statements represents:

	Year ended 31 December	
	2016	*2015*
Current income tax		
– Mainland China	2,074,627	4,148,728
– Hong Kong	(131,814)	46,485
– Overseas	2,700	-
	1,945,513	4,195,213
Adjustment in respect of prior years		
– Mainland China	(6,472)	(646)
– Hong Kong	-	-
– Overseas	-	-
	(6,472)	(646)
Deferred tax		
Origination and reversal of temporary differences	134,899	(728,978)
Total	2,073,940	3,465,589

15 Income tax expense (continued)

(a) Taxation in the consolidated income statements represents (continued):

(i) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Group's subsidiaries in the Mainland China are subject to CIT at the statutory tax rate of 25%.

(ii) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits for the year. Tax of other overseas subsidiaries are charged at the relevant local rates.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December	
	2016	*2015*
Profit before income tax	8,593,428	14,263,497
National tax calculated using the PRC statutory tax rate	2,148,357	3,565,874
Tax effect of non-deductible expenses	33,977	55,898
Tax effect of non-taxable income	(202,440)	(188,595)
Tax effect of unused tax losses not recognised	100,636	49,846
Effect of different tax rates of the subsidiary	(672)	(24,456)
Utilisation of tax losses previously not recognized	-	(6,164)
Adjustment for prior years	(6,472)	(646)
Others	554	13,832
Actual income tax expense	2,073,940	3,465,589

16 Directors' and supervisors' remuneration

The remuneration of directors and supervisors who held office during the reporting period is as follows:

	Year ended 31 December 2016				
Name	*Directors' fees*	*Salaries, allowances and benefits in kind*	*Contribution to pension schemes*	*Discretionary bonuses*	*Total*
Executive directors					
Zhou Yi	-	1,337	39	-	1,376
Non-executive directors					
Sun Lu[(1)(2)]	-	-	-	-	-
Wang Shuhua[(1)(3)]	-	-	-	-	-
Pu Baoying[(1)]	-	-	-	-	-
Sun Hongning[(1)]	-	-	-	-	-
Zhou Yong[(1)]	-	-	-	-	-
Cai Biao[(1)(4)]	-	-	-	-	-
Xu Min[(1)(5)]	-	-	-	-	-
Gao Xu[(1)(6)]	-	-	-	-	-
Chen Ning[(1)(7)]	-	-	-	-	-
Xu Qing[(1)(8)]	-	-	-	-	-
Independent non-executive directors					
Bai Wei[(9)]	120	-	-	-	120
Shen Kunrong[(10)]	-	-	-	-	-
Liu Hongzhong	120	-	-	-	120
Lee Chi Ming	120	-	-	-	120
Chen Zhibin[(11)]	-	-	-	-	-
Chen Chuanming[(12)]	100	-	-	-	100
Yang Xiongsheng[(13)]	90	-	-	-	90
Liu Yan[(14)]	-	-	-	-	-
Supervisors					
Yu Yimin[(1)]	-	-	-	-	-
Gao Xu[(1)(6)]	-	-	-	-	-
Du Wenyi[(1)]	-	-	-	-	-
Song Weibin[(1)(15)]	-	-	-	-	-
Liu Zhihong[(1)]	-	-	-	-	-
Dong Junzheng[(1)(16)]	-	-	-	-	-
Peng Min	-	793	39	4,233	5,065
Zhou Xiang	-	693	39	4,100	4,832
Zhang Hui[(17)]	-	641	39	4,000	4,680
Wang Huiqing[(1)(18)]	-	-	-	-	-
Meng Qinglin[(19)]	-	-	-	-	-
Total	550	3,464	156	12,333	16,503

16 Directors' and supervisors' remuneration (continued)

	Year ended 31 December 2015				
Name	*Directors' fees*	*Salaries, allowances and benefits in kind*	*Contribution to pension schemes*	*Discretionary bonuses*	*Total*
Executive directors					
Wu Wanshan[20]	-	1,358	39	-	1,397
Zhou Yi	-	1,358	39	-	1,397
Non-executive directors					
Sun Lu[1][2]	-	-	-	-	-
Wang Shuhua[1][3]	-	-	-	-	-
Pu Baoying[1]	-	-	-	-	-
Sun Hongning[1]	-	-	-	-	-
Xue Binghai[1][21]	-	-	-	-	-
Zhou Yong[1]	-	-	-	-	-
Cai Biao[1][4]	-	-	-	-	-
Ying Wenlu[1][22]	-	-	-	-	-
Xu Min[1][5]	-	-	-	-	-
Wang Huijuan[1][23]	-	-	-	-	-
Independent non-executive directors					
Bai Wei[9]	120	-	-	-	120
Shen Kunrong[10]	120	-	-	-	120
Liu Hongzhong	120	-	-	-	120
Zhang Jie[24]	120	-	-	-	120
Wang Quanzhou[25]	40	-	-	-	40
Lee Chi Ming	80	-	-	-	80
Chen Zhibin[11]	30	-	-	-	30
Supervisors					
Yu Yimin[1]	-	-	-	-	-
Gao Xu[1][6]	-	-	-	-	-
Du Wenyi[1]	-	-	-	-	-
Song Weibin[1][15]	-	-	-	-	-
Mao Huipeng[1][26]	-	-	-	-	-
Liu Zhihong[1]	-	-	-	-	-
Dong Junzheng[1][16]	-	-	-	-	-
Peng Min	-	792	39	2,080	2,911
Zhou Xiang	-	692	39	2,124	2,855
Zhang Hui[17]	-	641	39	2,212	2,892
Total	630	4,841	195	6,416	12,082

16 Directors' and supervisors' remuneration (continued)

(1) The remunerations of these non-executive directors and supervisors of the Company were borne by its shareholders and other related parties including Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Company Limited, Jiangsu High Hope International Group Co., Ltd., Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd. and Guohua Energy Investment Co., Ltd.. No allocation of the remunerations between these related parties and the Group has been made during the reporting period.

(2) Resigned as non-executive director on 7 June 2016.

(3) Resigned as non-executive director on 7 June 2016.

(4) Resigned as non-executive director on 21 December 2016.

(5) Resigned as non-executive director on 7 June 2016.

(6) Resigned as supervisor on 7 June 2016 and appointed as non-executive director on 7 June 2016.

(7) Appointed as non-executive director on 7 June 2016.

(8) Appointed as non-executive director on 7 June 2016.

(9) Resigned as independent non-executive director on 21 December 2016.

(10) Resigned as independent non-executive director on 18 March 2016.

(11) Resigned as independent non-executive director on 5 April 2016.

(12) Appointed as independent non-executive director on 18 March 2016.

(13) Appointed as independent non-executive director on 5 April 2016.

(14) Appointed as independent non-executive director on 21 December 2016.

(15) Resigned as supervisor on 21 December 2016.

(16) Resigned as supervisor on 25 March 2016.

(17) Resigned as supervisor on 21 December 2016.

(18) Appointed as supervisor on 7 June 2016.

(19) Appointed as supervisor on 21 December 2016.

(20) Resigned as executive director on 18 December 2015.

16 Directors' and supervisors' remuneration (continued)

(21) Resigned as non-executive director on 16 January 2015.

(22) Resigned as non-executive director on 9 October 2015.

(23) Resigned as non-executive director on 16 February 2015.

(24) Resigned as independent non-executive director on 4 December 2015.

(25) Resigned as independent non-executive director on 30 April 2015.

(26) Resigned as supervisor on 9 October 2015.

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. During the year, there was no arrangement under which a director or a supervisor who had resigned waived or agreed to waive any remuneration, except for one independent non-executive director who resigned from his position waived the remuneration in 2016.

17 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2016	*2015*
Salaries and allowances	12,605	7,024
Discretionary bonuses	48,993	35,767
Employer's contribution to pension schemes	123	281
Share-based payments	1,527	-
Total	63,248	43,072

The emoluments with the highest emoluments are within the following bands:

	Year ended 31 December	
	2016 Number of individuals	*2015 Number of individuals*
HKD 8,500,001 to HKD 9,000,000	-	2
HKD 9,000,001 to HKD 9,500,000	-	-
HKD 9,500,001 to HKD 10,000,000	1	1
HKD 10,000,001 to HKD 15,000,000	2	2
HKD 15,000,001 to HKD 20,000,000	2	-
Total	5	5

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the reporting period.

18 Other comprehensive income

	Year ended 31 December 2016		
	Before tax	*Tax (expense) /benefit*	*Net of tax*
Available-for-sale financial assets			
– Net changes in fair value	1,450,207	(414,117)	1,036,090
– Reclassified to profit or loss	(567,296)	141,824	(425,472)
Share of other comprehensive income of associates and joint venture	158,913	(46,957)	111,956
Exchange differences on translation of financial statements in foreign currencies	342,910	-	342,910
Total	1,384,734	(319,250)	1,065,484

	Year ended 31 December 2015		
	Before tax	*Tax (expense) /benefit*	*Net of tax*
Available-for-sale financial assets			
– Net changes in fair value	1,731,473	(430,605)	1,300,868
– Reclassified to profit or loss	(19,462)	4,866	(14,596)
Share of other comprehensive income of associates and joint venture	120,270	(20,153)	100,117
Exchange differences on translation of financial statements in foreign currencies	48,677	-	48,677
Total	1,880,958	(445,892)	1,435,066

19 Basic and diluted earnings per share

	Note	Year ended 31 December 2016	2015
Profit attributable to shareholders of the Company		6,270,612	10,696,871
Weighted average number of ordinary shares (in thousands)	19(a)	7,162,769	6,501,715
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)		0.88	1.65

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period.

(a) Weighted average number of ordinary shares (in thousands)

	Year ended 31 December 2016	2015
Number of ordinary shares as at 1 January	7,162,769	5,600,000
Increase in weighted average number of ordinary shares	-	901,715
Weighted average number of ordinary shares	7,162,769	6,501,715

20 Property and equipment

	Buildings	*Motor vehicles*	*Electric equipment*	*Furniture and fixtures*	*Construction in progress*	*Total*
Cost						
As at 1 January 2016	2,572,138	150,655	610,791	78,998	761,146	4,173,728
Additions	-	5,775	81,907	19,336	121,076	228,094
Acquisition of subsidiaries	-	-	17,036	23,415	-	40,451
Transfer during the year (Note 33)	776,371	-	-	17,962	(819,181)	(24,848)
Transfer in from investment properties (Note 21)	153,595	-	-	-	-	153,595
Disposals	(1,722)	(3,681)	(58,669)	(8,885)	-	(72,957)
As at 31 December 2016	3,500,382	152,749	651,065	130,826	63,041	4,498,063
Accumulated depreciation						
As at 1 January 2016	(260,089)	(106,741)	(365,945)	(61,935)	-	(794,710)
Charge for the year	(93,719)	(11,360)	(75,745)	(13,225)	-	(194,049)
Transfer in from investment properties (Note 21)	(7,744)	-	-	-	-	(7,744)
Disposals	870	3,473	53,043	8,505	-	65,891
As at 31 December 2016	(360,682)	(114,628)	(388,647)	(66,655)	-	(930,612)
Carrying amount						
As at 31 December 2016	3,139,700	38,121	262,418	64,171	63,041	3,567,451

	Buildings	*Motor vehicles*	*Electric equipment*	*Furniture and fixtures*	*Construction in progress*	*Total*
Cost						
As at 1 January 2015	1,310,881	148,607	580,586	87,297	2,045,325	4,172,696
Additions	-	6,355	186,559	4,587	718,031	915,532
Acquisition of subsidiaries	-	-	-	-	-	-
Transfer during the year (Note 33)	1,470,969	-	-	-	(1,478,727)	(7,758)
Transfer to investment properties (Note 21)	(209,712)	-	-	-	(523,483)	(733,195)
Disposals	-	(4,307)	(156,354)	(12,886)	-	(173,547)
As at 31 December 2015	2,572,138	150,655	610,791	78,998	761,146	4,173,728
Accumulated depreciation						
As at 1 January 2015	(266,738)	(95,864)	(443,607)	(62,801)	-	(869,010)
Charge for the year	(64,089)	(14,317)	(71,610)	(11,554)	-	(161,570)
Transfer to investment properties (Note 21)	70,738	-	-	-	-	70,738
Disposals	-	3,440	149,272	12,420	-	165,132
As at 31 December 2015	(260,089)	(106,741)	(365,945)	(61,935)	-	(794,710)
Carrying amount						
As at 31 December 2015	2,312,049	43,914	244,846	17,063	761,146	3,379,018

As at 31 December 2016 and 31 December 2015, included in buildings, there is a carrying amount of RMB39,993 thousand and RMB42,698 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

21 Investment properties

	2016	*2015*
Cost		
As at 1 January	1,508,102	774,907
Additions	14,068	-
(Transfer to)/transfer in from property and equipment (Note 20)	(153,595)	733,195
Disposals	(683)	-
As at 31 December	1,367,892	1,508,102
Accumulated depreciation		
As at 1 January	(202,024)	(96,379)
Charge for the year	(39,079)	(34,907)
Transfer to/(transfer in from) property and equipment (Note 20)	7,744	(70,738)
Disposals	282	-
As at 31 December	(233,077)	(202,024)
Impairment		
As at 1 January	(4,547)	(4,547)
Impairment losses of the year	-	-
As at 31 December	(4,547)	(4,547)
Carrying amount	1,130,268	1,301,531

As at 31 December 2016 and 31 December 2015, included in investment properties, there is a carrying amount of RMB142,287 thousand and RMB148,099 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

22 Goodwill

	As at 31 December	
	2016	*2015*
Cost	2,040,399	51,342
Effect of exchange rate changes for cost	50,853	-
Less: Provision for impairment losses	-	-
Carrying amount	2,091,252	51,342

22 Goodwill (continued)

Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at 31 December	
	2016	*2015*
Investment banking	51,090	51,090
Futures brokerage	252	252
Overseas asset management	2,039,910	-
Total	2,091,252	51,342

The Group acquired the investment banking business together with the relevant assets and liabilities, and the interest in Huatai United Securities Co., Ltd. in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking CGU.

The Group acquired the futures brokerage business together with the relevant assets and liabilities, and the interest in Huatai Futures Co., Ltd. (previously known as Huatai Great Wall Futures Co., Ltd.) in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group acquired the overseas asset management business together with the relevant assets and liabilities, and the interest in AssetMark Financial Holdings, Inc. in 2016. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the overseas asset management CGU.

The recoverable amounts of each CGU are determined based on value-in-use calculations. These calculations use cash flow projections with reference to financial budgets approved by management covering certain period. Cash-flows beyond the certain period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are the CGUs' specific weighted average cost of capital, adjusted for the risks of the specific CGUs.

As at 31 December 2016, the Group performed its annual goodwill impairment test. No impairments were recognised for the goodwill related to investment banking CGU, futures brokerage CGU and overseas asset management CGU since the recoverable amounts were greater than their carrying amounts, respectively.

23 Other intangible assets

	Land-use right	*Existing relationships with broker-dealers*	*Trade names*	*Software and others*	*Total*
Cost					
As at 1 January 2016	359,161	-	-	487,863	847,024
Additions	-	-	-	129,711	129,711
Acquisition of a subsidiary	-	3,858,784	309,999	790,317	4,959,100
Other additions	-	98,636	7,924	20,340	126,900
Disposals	-	-	-	(384)	(384)
As at 31 December 2016	359,161	3,957,420	317,923	1,427,847	6,062,351
Accumulated amortisation					
As at 1 January 2016	(56,536)	-	-	(365,520)	(422,056)
Charge for the year	(7,195)	-	(2,650)	(121,771)	(131,616)
Disposals	-	-	-	345	345
As at 31 December 2016	(63,731)	-	(2,650)	(486,946)	(553,327)
Carrying amount					
As at 31 December 2016	295,430	3,957,420	315,273	940,901	5,509,024

23 Other intangible assets (continued)

	Land-use right	*Existing relationships with broker-dealers*	*Trade names*	*Software and others*	*Total*
Cost					
As at 1 January 2015	359,161	-	-	383,683	742,844
Additions	-	-	-	104,719	104,719
Disposals	-	-	-	(539)	(539)
As at 31 December 2015	359,161	-	-	487,863	847,024
Accumulated amortisation					
As at 1 January 2015	(49,340)	-	-	(292,293)	(341,633)
Charge for the year	(7,196)	-	-	(73,663)	(80,859)
Disposals	-	-	-	436	436
As at 31 December 2015	(56,536)	-	-	(365,520)	(422,056)
Carrying amount					
As at 31 December 2015	302,625	-	-	122,343	424,968

Existing relationships with broker-dealers are regarded as having an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

As at 31 December 2015, there was a carrying amount of RMB299,335 thousand land-use right being mortgaged for the long-term bank loans (Note 53). The Group has no such mortgage arrangement as at 31 December 2016.

24 Investments in subsidiaries

(a) Details of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Unless otherwise stated, the class of shares hold is ordinary, and the issued and fully paid-up capital is expressed in Renminbi Yuan.

Name of company	*Place and date of incorporation/ establishment*	*Issued and fully paid-up capital*	*Equity interest held by the Company as at 31 December*		*Principal activity*	*Auditor[(1)] GAAP*	
			2016	*2015*		*2016*	*2015*
Huatai United Securities Co., Ltd.	PRC 5 September 1997	RMB 997,480,000	99.72%	99.72%	Investment banking	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Futures Co., Ltd.	PRC 10 July 1995	RMB 1,009,000,000	60.00%	60.00%	Futures brokerage	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Zijin Investment Co., Ltd.	PRC 12 August 2008	RMB 4,700,000,000	100.00%	100.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Financial Holdings (Hong Kong) Limited	Hong Kong 23 November 2006	HKD 8,800,000,000	100.00%	100.00%	Securities and futures brokerage	KPMG HKFRSs	KPMG HKFRSs
Huatai Innovative Investment Co., Ltd.	PRC 21 November 2013	RMB 500,000,000	100.00%	100.00%	Alternative investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Securities (Shanghai) Assets Management Co., Ltd.	PRC 16 October 2014	RMB 2,600,000,000	100.00%	100.00%	Asset management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP

24 Investments in subsidiaries (continued)

(a) Details of principal subsidiaries (continued)

Name of company	*Place and date of incorporation/ establishment*	*Issued and fully paid-up capital*	*Equity interest held by the Company as at 31 December*		*Principal activity*	*Auditor[1] GAAP*	
			2016	*2015*		*2016*	*2015*
Huatai Ruilian Funds Mergers (Limited Partnership) [2][3]	PRC 17 March 2014	RMB -	32.00%	32.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Ruilin Equity Management (Limited Partnership) [2][3]	PRC 28 September 2014	RMB 340,000,000	31.00%	31.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Beijing Ruilian Jingshen Investment (Limited Partnership) [2]	PRC 22 August 2014	RMB 120,080,000	100.00%	100.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Shenzhen Qianhai Ruilian NO.7 Investment (Limited Partnership) [2]	PRC 22 January 2015	RMB 3,001,000,000	50.02%	50.02%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) [2][3]	PRC 1 June 2015	RMB 700,000,000	45.00%	45.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Jiangsu Huatai Ruilian Funds Mergers (Limited Partnership) [2]	PRC 5 August 2015	RMB 5,193,000,000	60.49%	60.49%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP

24 Investments in subsidiaries (continued)

(a) Details of principal subsidiaries (continued)

Name of company	*Place and date of incorporation/ establishment*	*Issued and fully paid-up capital*	*Equity interest held by the Company as at 31 December*		*Principal activity*	*Auditor[1] GAAP*	
			2016	*2015*		*2016*	*2015*
Shanghai Jingrui Investment Center (Limited Partnership) [2]	PRC 2 December 2014	RMB 100,100,000	100.00%	100.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Nanjing Huatai Rulian NO.1 Funds Mergers (Limited Partnership) [2][3]	PRC 25 November 2015	RMB 5,442,000,000	48.94%	48.94%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Nanjing Ruilian NO.1 Investment Center (Limited Partnership) [2]	PRC 22 September 2015	RMB 1,731,830,000	62.47%	61.54%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Nanjing Ruilian NO.3 Investment Center (Limited Partnership) [2]	PRC 22 September 2015	RMB 701,000,000	71.47%	100.00%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Yili Suxin Investment Fund (Limited Partnership) [2][3]	PRC 19 February 2016	RMB 1,330,000,000	24.73%	-	Equity investment	KPMG PRC PRC GAAP	-
AssetMark Financial Holdings, Inc.[2][4]	US 1 January 1996	USD 1,000	100.00%	-	Asset management	KPMG LLP US GAAP	KPMG LLP US GAAP

24 Investments in subsidiaries (continued)

(a) Details of principal subsidiaries (continued)

(1) Auditors of the respective subsidiaries of the Group are as follows:

- KPMG PRC represents KPMG Huazhen LLP, a firm of certified public accountants registered in PRC;
- KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong; and
- KPMG LLP represents KPMG in the United States, a firm of certified public accountants registered in the United States.

(2) These subsidiaries are indirectly controlled by the Company.

(3) As at 31 December 2016, the Company indirectly holds less than 50.00% equity interest of Huatai Ruilian Funds Mergers (Limited Partnership), Huatai Ruilin Equity Management (Limited Partnership), Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership), Nanjing Huatai Ruilian NO.1 Funds Mergers (Limited Partnership), Yili Suxin Investment Fund (Limited Partnership). Pursuant to the partnership agreement, the Company has the power over these funds and it is able to use the power to influence the amount of variable returns to the Company. The directors of the Company consider the Company has the power to control these funds and they are therefore accounted for as subsidiaries of the Group.

(4) The acquisition of AssetMark Financial Holdings, Inc. was completed on 31 October 2016. Detailed information of the acquisition is disclosed in Note 24(c).

24 Investments in subsidiaries (continued)

(b) Partially-owned subsidiary with material non-controlling interests

The following table lists out the information relating to Huatai Futures Co., Ltd., the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	2016	*2015*
NCI percentage	40%	40%
Assets	23,617,003	18,371,593
Liabilities	(21,970,840)	(17,139,410)
Net assets	1,646,163	1,232,183
Carrying amount of NCI	661,699	492,873
Revenue	1,024,429	2,655,591
Profit for the year	203,887	164,377
Other comprehensive income	1,680	9
Total comprehensive income	205,567	164,386
Profit allocated to NCI	79,832	65,751
Dividend paid to NCI	-	-
Cash flows from operating activities	3,400,114	7,534,018
Cash flows from investing activities	245,998	(46,205)
Cash flows from financing activities	177,290	600,000

(c) Acquisition of subsidiary

AssetMark Financial Holdings, Inc.

On 11 April 2016, the Group entered into a sale and purchase agreement with AqGen Liberty Holdings LLC, pursuant to which, AqGen Liberty Holdings LLC agreed to sell and the Group agreed to purchase the share capital of AssetMark Financial Holdings, Inc. The acquisition was completed on 31 October 2016, and the acquired interest was 98.952% with the consideration USD768,419 thousand (RMB5,197,664 thousand). The equity interest held by the Group decreased from 98.952% to 98.595% after the acquisition in December 2016. The Group recognised the excess of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill.

24 Investments in subsidiaries (continued)

(c) Acquisition of subsidiaries (continued)

The fair values of the identifiable assets and liabilities of AssetMark Financial Holdings, Inc. as at the date of acquisition were as follows:

	Fair value recognised as at the date of acquisition
Property and equipment	40,451
Other intangible assets	4,959,100
Available-for-sale financial assets	203
Accounts receivable	60,474
Other current assets	259,870
Cash and bank balances	312,647
Employee benefits payable	(116,231)
Other payables and accruals	(697,793)
Current tax liabilities	(81,915)
Deferred tax liabilities	(1,473,149)
Total identifiable net assets at fair value	3,263,657

Goodwill arising from acquisition

Consideration transferred	5,197,664
Add: Non-controlling interest	55,050
Less: Fair value of net assets acquired	(3,263,657)
Carrying amount of goodwill	1,989,057

Goodwill arose from the acquisition because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, AssetMark Financial Holdings, Inc. contributed RMB207,220 thousand to the Group's revenue and RMB19,708 thousand to the consolidated profit for the year ended 31 December 2016.

25 Interest in associates

	As at 31 December	
	2016	*2015*
Share of net assets	3,075,521	2,673,834

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

			Proportion of ownership interest			
Name of associate	*Registered place*	*Registered capital*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
China Southern Asset Management Co., Ltd.	Shenzhen	300,000	45%	45%	-	Fund management
Huatai-PineBridge Fund Management Co., Ltd.	Shanghai	200,000	49%	49%	-	Fund management
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	Nanjing	1,000,000	48.25%	-	48.25%	Equity investment

All of the above associates are accounted for using the equity method in the consolidated financial statements.

25 Interest in associates (continued)

Summarised financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

China Southern Asset Management Co., Ltd.

	2016	*2015*
Gross amounts of the associate		
Assets	6,374,667	5,391,751
Liabilities	(2,238,236)	(1,636,146)
Net assets	4,136,431	3,755,605
Revenue	3,002,467	2,998,545
Profit for the year	825,788	831,156
Other comprehensive income	(24,967)	52,591
Total comprehensive income	800,821	883,747
Dividend received from the associate	162,000	135,000
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	3,955,410	3,549,187
The Group's effective interest	45%	45%
The Group's share of net assets of the associate	1,779,934	1,597,134
Carrying amount in the consolidated financial statements	1,779,934	1,597,134

25 Interest in associates (continued)

Huatai-PineBridge Fund Management Co., Ltd.

	2016	*2015*
Gross amounts of the associate		
Assets	1,025,918	973,665
Liabilities	(271,207)	(282,846)
Net assets	754,711	690,819
Revenue	720,050	648,258
Profit for the year	199,976	164,310
Other comprehensive income	(36,084)	29,796
Total comprehensive income	163,892	194,106
Dividend received from the associate	49,000	-
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	754,711	690,819
The Group's effective interest	49%	49%
The Group's share of net assets of the associate	369,808	338,501
Other adjustment	(260)	-
Carrying amount in the consolidated financial statements	369,548	338,501

25 Interest in associates (continued)

Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)

	2016	*2015*
Gross amounts of the associate		
Assets	1,361,858	1,047,902
Liabilities	(255)	(216)
Net assets	1,361,603	1,047,686
Revenue	18,569	21,315
Loss for the year	(1,892)	(20,474)
Other comprehensive income	524,496	166,958
Total comprehensive income	522,604	146,484
Dividend received from the associate	-	-
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	1,361,603	1,047,686
The Group's effective interest	48.25%	48.25%
The Group's share of net assets of the associate	656,973	505,508
Other adjustment	14,694	14,694
Carrying amount in the consolidated financial statements	671,667	520,202

Aggregate information of associates that are not individually material:

	2016	*2015*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	254,372	217,997
Aggregate amounts of the Group's share of those associates' (losses) /gains	(620)	1,691
Other comprehensive income	445	55
Total comprehensive income	(175)	1,746

26 Interest in joint venture

	As at 31 December	
	2016	*2015*
Share of net assets	301,756	-

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest			
Name of joint venture	*Registered place*	*Registered capital*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	Nanjing	10,020,000	10%	-	10%	Equity investment

As at 31 December 2016, the Group holds 10.00% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the partnership agreement, the Group and the third party contractually agree to share control of the fund, and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

Summarised financial information of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership), and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)

	2016	*2015*
Gross amounts of the joint venture		
Assets	3,021,370	-
Liabilities	(3,807)	-
Net assets	3,017,563	-
Revenue	21,064	-
Profit for the year	17,563	-
Other comprehensive income	-	-
Total comprehensive income	17,563	-
Dividend received from the joint venture	-	-
Reconciled to the Group's interest in the joint venture:		
Net assets of the joint venture attributable to the parent company	3,017,563	-
The Group's effective interest	10%	-
The Group's share of net assets of the joint venture	301,756	-
Carrying amount in the consolidated financial statements	301,756	-

27 Held-to-maturity investments

	As at 31 December	
	2016	*2015*
Listed outside Hong Kong:		
- Debt securities	5,000	5,000

28 Available-for-sale financial assets

Non-current	*As at 31 December*	
	2016	*2015*
At fair value:		
– Equity securities	17,103,586	10,591,163
– Debt securities	143,655	236,056
– Funds	-	3,810
– Wealth management products	13,970,874	14,587,563
At cost:		
– Equity securities	5,716	211,505
Less: Impairment losses	(5,716)	(5,716)
Total	31,218,115	25,624,381
Analysed as:		
Listed outside Hong Kong	6,886,017	1,635,694
Unlisted	24,332,098	23,988,687
Total	31,218,115	25,624,381

28 Available-for-sale financial assets (continued)

Current	*As at 31 December*	
	2016	*2015*
At fair value:		
– Equity securities	9,232,942	10,822,617
– Debt securities	836,775	206,521
– Funds	688,970	253,631
– Wealth management products	1,759,760	1,211,571
Less: Impairment losses	-	-
Total	12,518,447	12,494,340
Analysed as:		
Listed outside Hong Kong	10,627,289	10,969,505
Listed inside Hong Kong	34,521	91,682
Unlisted	1,856,637	1,433,153
Total	12,518,447	12,494,340

The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed a total amount of RMB14,440 million in July and September 2015 to the special account established and managed by CSF for unified operation. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. The investment is under unified operation and management by CSF. As at 31 December 2016, considering the purpose and special feature of this investment, including the investment and divestment decision-making processes, the management consider that there is no objective evidence of impairment due to the significant or non-temporary decrease in fair value. As at 31 December 2016 and 31 December 2015, the fair value of the Company's contribution recognised by the Company was RMB13,621 million and 13,783 million based on the investment account statement provided by CSF.

As at 31 December 2016 and 31 December 2015, the fund investments with lock-up periods held by the Group are RMB2,958 thousand and RMB3,810 thousand respectively. The fair values of these funds have taken into account the relevant features including the restrictions.

28 Available-for-sale financial assets (continued)

As at 31 December 2016 and 31 December 2015, the non-current listed equity securities held by the Group included investments in restricted shares of approximately RMB 6,742,362 thousand and RMB1,427,227 thousand, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that for those of which the fair value cannot be measured reliably, the value of the securities is measured at cost less impairment at the reporting date. And for the fair value of the equity which can be measured reliably, the value of the securities is measured by comparing with comparable companies that are listed and in the same sector.

Non-current available-for-sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 31 December 2015, the Group has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB2,528 thousand to external clients, and it did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 36(c) together with the fair value of collaterals of margin financing business. The Group has no such securities lending arrangement as at 31 December 2016.

29 Financial assets held under resale agreements

(a) Analysed by collateral type:

Non-current	*As at 31 December*	
	2016	*2015*
Equity securities	8,938,155	3,532,240
Others	-	312,628
Less: Impairment losses	(7,759)	(1,501)
Total	8,930,396	3,843,367

Current	*As at 31 December*	
	2016	*2015*
Equity securities	28,848,644	19,819,979
Debt securities	8,573,060	1,975,731
Others	2,953	9,962
Less: Impairment losses	(23,871)	(14,511)
Total	37,400,786	21,791,161

(b) Analysed by market:

Non-current	*As at 31 December*	
	2016	*2015*
Shenzhen stock exchange	8,394,760	2,262,040
Shanghai stock exchange	543,395	800,000
Others	-	782,828
Less: Impairment losses	(7,759)	(1,501)
Total	8,930,396	3,843,367

Current	*As at 31 December*	
	2016	*2015*
Shenzhen stock exchange	24,982,056	17,505,172
Shanghai stock exchange	5,114,378	3,040,499
Inter-bank market	7,328,223	1,260,001
Others	-	-
Less: Impairment losses	(23,871)	(14,511)
Total	37,400,786	21,791,161

29 Financial assets held under resale agreements (continued)

(c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2016	*2015*
At the beginning of the year	16,012	-
Charge for the year	17,682	17,884
Reversal of impairment	(2,064)	(1,872)
At the end of the year	31,630	16,012

30 Financial assets at fair value through profit or loss

Non-current

(a) Analysed by type:

	As at 31 December	
	2016	*2015*
Financial assets designated at fair value through profit or loss:		
– Wealth management products	1,294,444	1,200,000
Total	1,294,444	1,200,000

(b) Analysed as:

	As at 31 December	
	2016	*2015*
Financial assets designated at fair value through profit or loss:		
– Unlisted	1,294,444	1,200,000
Total	1,294,444	1,200,000

30 Financial assets at fair value through profit or loss (continued)

Current

(a) Analysed by type:

	As at 31 December	
	2016	*2015*
Held for trading:		
– Debt securities	50,293,491	55,945,942
– Equity securities	4,565,506	10,284,934
– Funds	22,744,645	49,917,227
– Wealth management products	4,209,145	13,890,005
Total	81,812,787	130,038,108

(b) Analysed as:

	As at 31 December	
	2016	*2015*
Held for trading:		
– Listed outside Hong Kong	59,548,602	33,788,966
– Listed in Hong Kong	124,792	1,011,816
– Unlisted	22,139,393	95,237,326
Total	81,812,787	130,038,108

As at 31 December 2015, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with total fair value of RMB65,609 thousand to external clients, and it did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 36(c) together with the fair value of collaterals of margin financing business. The Group has no such securities lending arrangement as at 31 December 2016.

31 Refundable deposits

	As at 31 December	
	2016	*2015*
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	452,046	985,032
– Hong Kong Securities Clearing Company Limited	8,213	2,182
	460,259	987,214
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	2,993,065	2,540,723
– Shanghai Futures Exchange	1,425,906	1,128,562
– Dalian Commodity Exchange	1,202,923	700,182
– Zhengzhou Commodity Exchange	710,754	545,313
– Overseas Commodity Exchange	90	-
	6,332,738	4,914,780
Deposits with other institutions		
– China Securities Finance Corporation Limited	1,249,255	432
– Shanghai Clearing House	116,070	106,298
– Shanghai Gold Exchange	300	200
– Others financial institutions	6	376
	1,365,631	107,306
Total	8,158,628	6,009,300

32 Deferred taxation

(a) The components of deferred tax assets / (liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	*Provision for impairment losses*	*Employee benefits payable*	*Changes in fair value of financial instruments at fair value through profit or loss*	*Changes in fair value of derivative financial instruments*	*Changes in fair value of available-for-sale financial assets*	*Fair value adjustment arising from acquisition of subsidiaries*	*Others*	*Total*
As at 1 January 2016	121,050	891,803	(652,761)	576,473	(1,031,065)	-	(44,710)	(139,210)
Recognised in profit or loss	(9,828)	397,188	342,938	(397,422)	-	(65,743)	(402,032)	(134,899)
Acquisition of subsidiaries	-	13,244	-	-	-	(1,669,303)	182,910	(1,473,149)
Recognised in reserves	-	-	-	-	(211,836)	-	(46,956)	(258,792)
As at 31 December 2016	111,222	1,302,235	(309,823)	179,051	(1,242,901)	(1,735,046)	(310,788)	(2,006,050)
As at 1 January 2015	104,440	200,680	(384,347)	222,021	(605,326)	-	40,236	(422,296)
Recognised in profit or loss	16,610	691,123	(268,414)	354,452	-	-	(64,793)	728,978
Recognised in reserves	-	-	-	-	(425,739)	-	(20,153)	(445,892)
As at 31 December 2015	121,050	891,803	(652,761)	576,473	(1,031,065)	-	(44,710)	(139,210)

32 Deferred taxation (continued)

(b) Reconciliation to the statements of financial position

	As at 31 December	
	2016	*2015*
Net deferred tax assets recognised in the statement of financial position	556,094	212,609
Net deferred tax liabilities recognised in the statement of financial position	(2,562,144)	(351,819)
Total	(2,006,050)	(139,210)

(c) Deferred tax assets not recognised

As at 31 December 2016 and 31 December 2015, in accordance with the accounting policy set out in Note 3(o)(ii), the Group has not recognised unused tax losses of RMB796,965 thousand and RMB199,383 thousand respectively as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will not expire under current tax legislation.

33 Other non-current assets

(a) Analysed by nature:

	As at 31 December	
	2016	*2015*
Leasehold improvements and long-term deferred expenses	79,070	78,174

(b) The movements of leasehold improvements and long-term deferred expenses are as below:

	As at 31 December	
	2016	*2015*
Balance at beginning of the year	78,174	108,854
Additions	19,831	16,979
Transfer in from property and equipment (Note 20)	24,848	7,758
Amortisation	(43,783)	(55,417)
Balance at end of the year	79,070	78,174

34 Accounts receivable

(a) Analysed by nature:

	As at 31 December	
	2016	*2015*
Accounts receivable of:		
– Fee and commission	473,989	148,400
– Brokers, dealers and clearing house	287,864	170,460
– Subscription receivable	122,857	111,142
– Settlement	55,678	12,549
– Redemption of open-ended fund	35,110	132,808
– Others	20,539	48,045
Less: Provision for impairment losses	(4,624)	(1,850)
Total	991,413	621,554

(b) Analysed by aging:

As at the end of the reporting period, the aging analysis of accounts receivable, based on the trade date, is as follows:

	As at 31 December	
	2016	*2015*
Within 1 month	875,284	553,304
1 to 3 months	63,395	45,340
Over 3 months	52,734	22,910
Total	991,413	621,554

(c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2016	*2015*
At the beginning of the year	1,850	398
Charge for the year	2,774	1,452
Reversal of impairment	-	-
At the end of the year	4,624	1,850

(d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

35 Other receivables and prepayments

(a) Analysed by nature:

	As at 31 December	
	2016	*2015*
Interest receivable	4,154,103	3,282,484
Other receivables[(1)]	973,582	820,038
Deferred expenses	22,974	19,451
Prepayments	13,863	44,766
Others	245,196	125,776
Less: Impairment on other receivables and prepayments	(339,235)	(396,297)
Total	5,070,483	3,896,218

(1) The balance of others mainly represents the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund, and sundry receivables arising from normal course of business.

(b) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2016	*2015*
At the beginning of the year	396,297	404,773
Charge for the year	2,282	11,420
Recovery of receivables written off in previous years	-	-
Reversal of impairment	(56,781)	(15,405)
Amounts written-off	(2,563)	(4,491)
At the end of the year	339,235	396,297

36 Margin accounts receivable

(a) Analysed by nature:

	As at 31 December	
	2016	*2015*
Individuals	53,792,895	66,261,285
Institutions	2,871,343	1,230,613
Less: Impairment losses	(59,134)	(59,780)
Total	56,605,104	67,432,118

As at 31 December 2015, the amount of margin accounts receivable which the Group has transferred to the securitisation vehicle is RMB511,833 thousand, which did not result in derecognition of the financial assets. The securitisation vehicle issued asset-backed securities to investors in 2015 with one year term and was liquidated in 2016.

(b) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2016	*2015*
At the beginning of the year	59,780	-
Charge for the year	8,567	80,279
Reversal of impairment	(9,213)	(20,499)
At the end of the year	59,134	59,780

36 Margin accounts receivable (continued)

(c) The fair value of collaterals for margin financing and securities lending business is analysed as the followings:

	As at 31 December	
	2016	*2015*
Fair value of collaterals:		
– Equity securities	156,933,396	206,477,323
– Cash	12,944,433	18,461,809
– Funds	234,571	724,255
– Debt securities	13,045	29,076
Total	170,125,445	225,692,463

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.

37 Derivative financial instruments

	As at 31 December 2016		
	Notional amount	*Fair value*	
		Assets	*Liabilities*
Interest rate derivatives	44,336,843	64,094	(31,865)
– Treasury futures	876,843	-	(10,754)
– Interest rate swap	43,460,000	64,094	(21,111)
Currency derivatives	3,468,500	4,834	(3,286)
– Currency swaps	3,468,500	4,834	(3,286)
Equity derivatives	45,106,918	93,536	(387,618)
– Stock index futures	23,742	43	-
– Equity return swaps	868,300	65,246	(370,969)
– Exchange-traded options	481,395	8,005	(6,240)
– Over-the-counter options	43,733,481	20,242	(10,409)
Credit derivatives	2,081,100	1,260	(896)
– Credit default swaps	2,081,100	1,260	(896)
Others	15,237,775	794	(451,100)
– Forward contracts	15,189,090	768	(451,100)
– Commodity futures	48,685	26	-
Total	110,231,136	164,518	(874,765)
Less: settlement		(57,927)	10,754
Net position		106,591	(864,011)

37 Derivative financial instruments (continued)

	As at 31 December 2015		
	Notional amount	*Fair value*	
		Assets	*Liabilities*
Interest rate derivatives	25,710,000	27,514	(170,496)
– Treasury futures	-	-	-
– Interest rate swap	25,710,000	27,514	(170,496)
Currency derivatives	451,539	5,301	(4,418)
– Currency swaps	451,539	5,301	(4,418)
Equity derivatives	22,873,944	298,525	(1,069,260)
– Stock index futures	298,514	-	(6,240)
– Equity return swaps	6,460,570	134,314	(1,023,191)
– Exchange-traded options	679,917	7,626	(39,534)
– Over-the-counter options	15,434,943	156,585	(295)
Credit derivatives	292,198	3,410	(3,250)
– Credit default swaps	292,198	3,410	(3,250)
Others	15,514,408	-	(1,304,602)
– Forward contracts	15,451,525	-	(1,304,415)
– Commodity futures	62,883	-	(187)
Total	64,842,089	334,750	(2,552,026)
Less: settlement		-	91,681
Net position		334,750	(2,460,345)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settling with Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures trading through Huatai Futures Co., Ltd., were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the Group has maintained no open position for these contracts at 31 December 2016 and 31 December 2015.

38 Clearing settlement funds

	As at 31 December	
	2016	*2015*
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	1,222,971	2,549,050
– Hong Kong Securities Clearing Company Limited	2,633	2,070
Deposits with other institutions	3,197	583
Total	1,228,801	2,551,703

39 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

40 Cash and bank balances

	As at 31 December	
	2016	*2015*
Cash on hand	381	334
Bank balances	45,229,651	36,706,281
Total	45,230,032	36,706,615

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

41 Cash and cash equivalents

	As at 31 December	
	2016	*2015*
Cash on hand	381	334
Bank balances	45,229,651	36,706,281
Clearing settlement funds	1,228,801	2,551,703
Financial assets held under resale agreements within 3 months	7,932,804	1,972,501
Less: restricted bank deposits	(22,740,023)	(22,635,060)
Total	31,651,614	18,595,759

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, minimum liquid capital restriction deposits, bank loan guarantee deposits, default guarantee deposits and risk reserve deposits.

42 Short-term bank loans

	As at 31 December	
	2016	*2015*
Collateralised loans	460,255	688,322

As at 31 December 2016, the interest rates on the short-term loans were in the range of 4.35% to 5.44%. The collateralised loans were pledged by the bank loan guarantee deposits and silver standard warehouse receipts.

43 Short-term debt instruments issued

	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Book value as at 31 December 2016
Structured notes	2.00% - 8.00%	1,053,004	5,035,260	(4,467,264)	1,621,000

	Nominal interest rate	Book value as at 1 January 2015	Issuance	Redemption	Book value as at 31 December 2015
Short-term commercial papers	4.15% - 5.20%	8,500,000	11,000,000	(19,500,000)	-
Short-term corporate bonds	6.00%	7,000,000	-	(7,000,000)	-
Short-term subordinated bonds	5.10% - 5.95%	7,000,000	-	(7,000,000)	-
Structured notes	5.20% - 6.03%	2,287,070	14,180,580	(15,414,646)	1,053,004
Total		24,787,070	25,180,580	(48,914,646)	1,053,004

In 2016, the Company has issued 58 tranches of structured notes, bearing interest ranging from 2.00% to 8.00% per annum, repayable within 1 year.

44 Placements from other financial institutions

	As at 31 December	
	2016	2015
Interbank lending	-	3,000,000
Placements from China Securities Finance Co., Ltd.	6,650,000	-
Total	6,650,000	3,000,000

As at 31 December 2016, the placements from China Securities Finance Co., Ltd. are secured and bear interest of 3.00% per annum, with maturities within 52 days.

45 Accounts payable to brokerage clients

	As at 31 December	
	2016	*2015*
Clients' deposits for other brokerage business	82,617,056	109,730,352
Clients' deposits for margin financing and securities lending	10,111,781	18,637,027
Total	92,728,837	128,367,379

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

46 Employee benefits payable

Non-current

	As at 31 December 2016			
	As at 1 January	*Accrued for the year*	*Payments made*	*As at 31 December*
Salaries, bonuses and allowance	3,366,621	2,254,291	(636,206)	4,984,706
Cash-settled share-based payments	-	3,646	-	3,646
Total	3,366,621	2,257,937	(636,206)	4,988,352

	As at 31 December 2015			
	As at 1 January	*Accrued for the year*	*Payments made*	*As at 31 December*
Salaries, bonuses and allowance	705,434	3,229,820	(568,633)	3,366,621
Cash-settled share-based payments	-	-	-	-
Total	705,434	3,229,820	(568,633)	3,366,621

Current

	As at 31 December 2016				
	As at 1 January	*Additions through business combinations*	*Accrued for the year*	*Payments made*	*As at 31 December*
Salaries, bonuses and allowance	2,788,192	104,859	2,811,982	(3,227,876)	2,477,157
Contribution to pension scheme	138	-	188,973	(188,921)	190
Other social welfare	19,457	11,372	410,512	(401,598)	39,743
Total	2,807,787	116,231	3,411,467	(3,818,395)	2,517,090

	As at 31 December 2015				
	As at 1 January	*Additions through business combinations*	*Accrued for the year*	*Payments made*	*As at 31 December*
Salaries, bonuses and allowance	1,725,382	-	4,478,881	(3,416,071)	2,788,192
Contribution to pension scheme	3,981	-	133,689	(137,532)	138
Other social welfare	11,234	-	298,802	(290,579)	19,457
Total	1,740,597	-	4,911,372	(3,844,182)	2,807,787

46 Employee benefits payable (continued)

(a) Share-based payment of a subsidiary

(i) Summary information about share-based payments of a subsidiary

	Year ended 31 December			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Cash-settled share-based payments – USD equivalent to RMB	-	3,646	-	3,646

(ii) Cash-settled share-based payments

AssetMark Holdings, LLC, a subsidiary of the Group, granted a share-based compensation to all officers of its subsidiary, AssetMark Financial Holdings, Inc, at 1 November 2016. The share-based compensation is calculated based on the fair value of Class C common units of AssetMark Holdings, LLC. The vesting conditions consist of service time and performance conditions. The options will vest in 3 years after the grant date and are exercisable with a period of 4 to 8 years. The number of share-based compensation units granted during the year is 8,092.04, and the number of units of share-based compensation forfeited during the year is 17.00. The number of units of share-based compensation remained as at 31 December 2016 is 8,075.04. The remaining contractual life of the share-based compensation outstanding at 31 December 2016 is 7.8 years.

As at 31 December 2016, the accumulated amount of liabilities arising from cash-settled share-based payments was USD526 thousand, equivalent to RMB3,646 thousand, and total expenses recognised for the year arising from cash-settled share-based payments amounted to RMB3,646 thousand.

Share-based payments for services are calculated at fair value. The method for determining the fair value of liabilities based on the shares or other equity instruments assumed by the Group is Monte Carlo simulation.

47 Other payables and accruals

	As at 31 December	
	2016	*2015*
Payables to interest holders of consolidated structured entities[(1)]	68,380,572	85,761,379
Payable to open-ended funds	5,169,259	3,546,983
Interest payable	2,155,236	2,692,345
Payable for office building construction	799,554	881,348
Payable for equity return swaps	711,543	3,408,998
Settlement payables	632,679	132,137
Other tax payable	385,413	507,656
Fee and commission payable	217,276	185,990
Dividend to be converted to the investment capital of consolidated structured entities	156,862	308,238
Payable to the securities investor protection fund	131,333	58,952
Futures risk reserve	107,404	92,132
Payable to brokerage agents	52,964	139,936
Payable for asset-backed securities asset management scheme	-	475,000
Payable for commodity trading	-	140,755
Others[(2)]	771,600	988,213
Total	79,671,695	99,320,062

(1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because, the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes.

(2) The balance of others mainly represents payable to the joint bonds underwriters, and sundry payables arising from normal course of business.

48 Financial assets sold under repurchase agreements

(a) Analysed by collateral type:

Non-current

	As at 31 December	
	2016	*2015*
Margin loans receivable backed repurchase	-	10,800,000

Current

	As at 31 December	
	2016	*2015*
Debt securities	12,411,375	14,492,019
Margin loans receivable backed repurchase	5,800,000	6,900,000
Securities-backed lending repurchase	1,252,000	1,000,000
Total	19,463,375	22,392,019

(b) Analysed by market:

Non-current

	As at 31 December	
	2016	*2015*
Over-the-counter	-	10,800,000

Current

	As at 31 December	
	2016	*2015*
Inter-bank market	8,235,490	7,567,719
Shanghai stock exchange	4,055,200	6,924,300
Shenzhen stock exchange	70,000	-
Over-the-counter	7,102,685	7,900,000
Total	19,463,375	22,392,019

49 Financial liabilities at fair value through profit or loss

Non-current

	As at 31 December	
	2016	*2015*
Financial liabilities designated at fair value through profit or loss	25,163,711	6,948,454

Current

	As at 31 December	
	2016	*2015*
Financial liabilities held for trading	2,604,066	14,417,818
Financial liabilities designated at fair value through profit or loss	152,201	62,020
Total	2,756,267	14,479,838

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private funds.

50 Long-term bank loans due within one year

As at 31 December 2016 and 31 December 2015, the long-term bank loans due within one year were secured as follows:

	As at 31 December	
	2016	*2015*
Secured bank loans	-	125,000

The long-term bank loans repayable more than one year were disclosed in Note 53.

51 Long-term bonds due within one year

As at 31 December 2016

Name	*Par value* Original currency	*Issuance date*	*Due date*	*Issue amount* Original currency	*Nominal interest rate*
14 HUATAI 02[1]	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 04[2]	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
15 HUATAI 01[3]	RMB6,000,000	22/01/2015	23/01/2017	RMB6,000,000	5.90%
15 HUATAI 02[4]	RMB7,000,000	20/04/2015	21/04/2017	RMB7,000,000	5.60%
15 HUATAI 04[5]	RMB18,000,000	25/06/2015	26/06/2017	RMB18,000,000	5.50%
15 HUATAIQI[6]	RMB600,000	22/07/2015	22/07/2019	RMB600,000	5.80%
Structured notes[7]	RMB3,580,000	*Note (7)*	*Note (7)*	RMB3,580,000	2.40% - 5.00%

Name	*Book value as at 1 January 2016* RMB equivalent	*Increase* RMB equivalent	*Amount of amortization* RMB equivalent	*Decrease* RMB equivalent	*Book value as at 31 December 2016* RMB equivalent
14 HUATAI 02[1]	2,998,178	-	1,822	(3,000,000)	-
14 HUATAI 04[2]	-	4,000,000	-	(4,000,000)	-
15 HUATAI 01[3]	-	6,000,000	-	-	6,000,000
15 HUATAI 02[4]	-	7,000,000	-	(7,000,000)	-
15 HUATAI 04[5]	-	18,000,000	-	-	18,000,000
15 HUATAIQI[6]	-	615,445	17,352	(632,797)	-
Structured notes[7]	-	3,580,000	-	(1,680,000)	1,900,000
Total	2,998,178	39,195,445	19,174	(16,312,797)	25,900,000

As at 31 December 2015

Name	*Par value* Original currency	*Issuance date*	*Due date*	*Issue amount* Original currency	*Nominal interest rate*
14 HUATAI 02[1]	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%

Name	*Book value as at 1 January 2015* RMB equivalent	*Increase* RMB equivalent	*Amount of amortization* RMB equivalent	*Decrease* RMB equivalent	*Book value as at 31 December 2015* RMB equivalent
14 HUATAI 02[1]	-	2,995,236	2,942	-	2,998,178

51 Long-term bonds due within one year (continued)

(1) The Company has issued 2-year subordinated bond with a nominal amount of RMB3 billion on 18 April 2014. The Company redeemed the bond fully on 21 April 2016.

(2) The Company has issued a 4-year subordinated bond with a nominal amount of RMB4 billion on 26 September 2014. The Company has the option to redeem the 4-year subordinated bond at the end of the second year since its issuance. The Company redeemed the bond fully on 29 September 2016.

(3) The Company has issued 2-year subordinated bond with a nominal amount of RMB6 billion on 22 January 2015.

(4) The Company has issued a 2-year subordinated bond with a nominal amount of RMB7 billion on 20 April 2015. The Company has the option to redeem the 2-year subordinated bond at the end of the first year since its issuance. The Company redeemed the 2-year subordinated bond fully on 21 April 2016.

(5) The Company has issued 2-year subordinated bond with a nominal amount of RMB18 billion on 25 June 2015.

(6) Huatai Futures Co., Ltd. has issued a 4-year subordinated bond with a nominal amount of RMB0.6 billion on 22 July 2015. Huatai Futures Co., Ltd. has the option to redeem the 4-year subordinated bond at the end of the first year since its issuance. Huatai Futures Co., Ltd. redeemed the 4-year subordinated bond fully on 22 July 2016.

(7) As at 31 December 2016, 4 tranches of structured notes with a nominal amount of RMB3.58 billion would mature within one year, bearing interest ranging from 2.40% to 5.00% per annum.

52 Long-term bonds

As at 31 December 2016

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01[1]	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02[1]	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 04[2]	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
HUATAI B1910[3]	US$400,000	08/10/2014	08/10/2019	US$399,665	3.625%
15 HUATAI 01[4]	RMB6,000,000	22/01/2015	23/01/2017	RMB6,000,000	5.90%
15 HUATAI 02[5]	RMB7,000,000	20/04/2015	21/04/2017	RMB7,000,000	5.60%
15 HUATAI 03[5]	RMB5,000,000	20/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI 04[6]	RMB18,000,000	25/06/2015	26/06/2017	RMB18,000,000	5.50%
15 HUATAI G1[7]	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
15 HUATAIQI[8]	RMB600,000	22/07/2015	22/07/2019	RMB600,000	5.80%
16 HUATAI C1[9]	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI C2[10]	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1[11]	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G2[11]	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G3[12]	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
16 HUATAI G4[12]	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
16 HUATAIQI[13]	RMB600,000	18/07/2016	18/07/2020	RMB600,000	3.94%
Structured notes[14]	RMB6,580,000	*Note (15)*	*Note (15)*	RMB6,580,000	2.80% - 5.00%

Name	Book value as at 1 January 2016 RMB equivalent	Increase RMB equivalent	Amount of amortization RMB equivalent	Decrease RMB equivalent	Foreign exchange impact RMB equivalent	Book value as at 31 December 2016 RMB equivalent
13 HUATAI 01[1]	3,995,676	-	1,656	-	-	3,997,332
13 HUATAI 02[1]	5,989,982	-	1,083	-	-	5,991,065
14 HUATAI 04[2]	4,000,000	-	-	(4,000,000)	-	-
HUATAI B1910[3]	2,581,298	-	3,499	-	179,824	2,764,621
15 HUATAI 01[4]	6,000,000	-	-	(6,000,000)	-	-
15 HUATAI 02[5]	7,000,000	-	-	(7,000,000)	-	-
15 HUATAI 03[5]	5,000,000	-	-	-	-	5,000,000
15 HUATAI 04[6]	18,000,000	-	-	(18,000,000)	-	-
15 HUATAI G1[7]	6,591,599	-	3,199	-	-	6,594,798
15 HUATAIQI[8]	615,445	-	17,352	(632,797)	-	-
16 HUATAI C1[9]	-	5,000,000	-	-	-	5,000,000
16 HUATAI C2[10]	-	3,000,000	-	-	-	3,000,000
16 HUATAI G1[11]	-	3,500,000	-	-	-	3,500,000
16 HUATAI G2[11]	-	2,500,000	-	-	-	2,500,000
16 HUATAI G3[12]	-	5,000,000	-	-	-	5,000,000
16 HUATAI G4[12]	-	3,000,000	-	-	-	3,000,000
16 HUATAIQI[13]	-	600,000	-	-	-	600,000
Structured notes[14]	9,600,000	6,580,000	-	(13,180,000)	-	3,000,000
Total	69,374,000	29,180,000	26,789	(48,812,797)	179,824	49,947,816

52 Long-term bonds (continued)

As at 31 December 2015

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01[(1)]	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02[(1)]	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04[(2)]	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
HUATAI B1910[(3)]	US$400,000	08/10/2014	08/10/2019	US$399,665	3.625%
15 HUATAI 01[(4)]	RMB6,000,000	22/01/2015	23/01/2017	RMB6,000,000	5.90%
15 HUATAI 02[(5)]	RMB7,000,000	20/04/2015	21/04/2017	RMB7,000,000	5.60%
15 HUATAI 03[(5)]	RMB5,000,000	20/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI 04[(6)]	RMB18,000,000	25/06/2015	26/06/2017	RMB18,000,000	5.50%
15 HUATAI G1[(7)]	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
15 HUATAIQI[(8)]	RMB600,000	22/07/2015	22/07/2019	RMB600,000	5.80%
Structured notes	RMB9,900,000	-	-	RMB9,900,000	5.50% - 5.60%

Name	Book value as at 1 January 2015 RMB equivalent	Increase RMB equivalent	Amount of amortization RMB equivalent	Decrease RMB equivalent	Foreign exchange impact RMB equivalent	Book value as at 31 December 2015 RMB equivalent
13 HUATAI 01[(1)]	3,994,117	-	1,559	-	-	3,995,676
13 HUATAI 02[(1)]	5,988,198	-	1,784	-	-	5,989,982
14 HUATAI 02	2,992,295	-	2,941	(2,995,236)	-	-
14 HUATAI 03	2,000,000	-	-	(2,000,000)	-	-
14 HUATAI 04[(2)]	4,000,000	-	-	-	-	4,000,000
HUATAI B1910[(3)]	2,370,714	61,369	1,969	-	147,246	2,581,298
15 HUATAI 01[(4)]	-	6,000,000	-	-	-	6,000,000
15 HUATAI 02[(5)]	-	7,000,000	-	-	-	7,000,000
15 HUATAI 03[(5)]	-	5,000,000	-	-	-	5,000,000
15 HUATAI 04[(6)]	-	18,000,000	-	-	-	18,000,000
15 HUATAI G1[(7)]	-	6,590,000	1,599	-	-	6,591,599
15 HUATAIQI[(8)]	-	615,445	-	-	-	615,445
Structured notes	-	9,900,000	-	(300,000)	-	9,600,000
Total	21,345,324	53,166,814	9,852	(5,295,236)	147,246	69,374,000

(1) The Company has issued 5-year corporate bond with a nominal amount of RMB4 billion and a 10-year corporate bond with a nominal amount of RMB6 billion on 5 June 2013. These two tranches of corporate bonds were listed in the Shanghai Stock Exchange on 17 July 2013.

(2) The Company has issued a 4-year subordinated bond with a nominal amount of RMB4 billion on 26 September 2014. The Company has the option to redeem the 4-year subordinated bond at the end of the second year since its issuance. The Company redeemed the 4-year subordinated bond fully on 29 September 2016, which was disclosed in Note 51.

52 Long-term bonds (continued)

(3) Huatai International Finance I Limited, the Company's Hong Kong subsidiary, has issued a 5-year bond with a nominal amount of USD0.4 billion on 8 October 2014. The bond was guaranteed by the Bank of China Limited. The Company has provided counter-guarantee to the Bank of China Limited.

(4) The Company has issued a 2-year subordinated bond with a nominal amount of RMB6 billion on 22 January 2015. As at 31 December 2016, the subordinated bond is due within one year and is therefore classified as "Long-term bonds due within one year" (Note 51).

(5) The Company has issued a 2-year subordinated bond with a nominal amount of RMB7 billion and a 5-year subordinated bond with a nominal amount of RMB5 billion on 20 April 2015. The Company has the option to redeem the 2-year subordinated bond at the end of the first year since its issuance and redeem the 5-year subordinated bond at the end of the third year since its issuance. The Company redeemed the 2-year subordinated bond fully on 21 April 2016, which was disclosed in Note 51.

(6) The Company has issued a 2-year subordinated bond with a nominal amount of RMB18 billion on 25 June 2015. As at 31 December 2016, the subordinated bond is due within one year and is therefore classified as "Long-term bonds due within one year" (Note 51).

(7) The Company has issued a 3-year corporate bond with a nominal amount of RMB6.6 billion on 29 June 2015.

(8) Huatai Futures Co., Ltd. has issued a 4-year subordinated bond with a nominal amount of RMB0.6 billion on 22 July 2015. Huatai Futures Co., Ltd. has the option to redeem the 4-year subordinated bond at the end of the first year since its issuance. Huatai Futures Co., Ltd. redeemed the 4-year subordinated bond fully on 22 July 2016, which was disclosed in Note 51.

(9) The Company has issued a 5-year subordinated bond with a nominal amount of RMB5 billion on 14 October 2016. The Company has the option to redeem the 5-year subordinated bond at the end of the third year since its issuance.

(10) The Company has issued a 3-year subordinated bond with a nominal amount of RMB3 billion on 21 October 2016. The Company has the option to redeem the 3-year subordinated bond at the end of the second year since its issuance.

(11) The Company has issued a 3-year corporate bond with a nominal amount of RMB3.5 billion and a 5-year corporate bond with a nominal amount of RMB2.5 billion on 6 December 2016.

(12) The Company has issued a 3-year corporate bond with a nominal amount of RMB5 billion and a 5-year corporate bond with a nominal amount of RMB3 billion on 14 December 2016.

52 Long-term bonds (continued)

(13) Huatai Futures Co., Ltd. has issued a 4-year subordinated bond with a nominal amount of RMB0.6 billion on 18 July 2016. Huatai Futures Co., Ltd. has an option to redeem the 4-year subordinated bond at the end of the first year since its issuance.

(14) In 2016, the Company has issued 7 tranches of structured notes with a nominal amount of RMB6.58 billion. As at 31 December 2016, 4 tranches of structured notes with a nominal amount of RMB3.58 billion is due within one year and is therefore classified as "Long-term bonds due within one year" (Note 51). The structured notes as at 31 December 2016 are bearing interest of 3.40% per annum.

53 Long-term bank loans

As at 31 December 2016 and 31 December 2015, the long-term bank loans were secured as follows:

	As at 31 December	
	2016	*2015*
Secured bank loans	-	359,985

At 31 December 2016, the long-term bank loan of the Company was fully paid.

54 Share capital, reserves and retained profits

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

54 Share capital, reserves and retained profits (continued)

(a) Movements in components of equity (continued)

	Note	Share capital	Reserves					Retained profits	Total
			Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve		
As at 1 January 2016		7,162,769	45,577,448	2,607,376	5,426,661	2,725,705	16,009	10,929,349	74,445,317
Changes in equity for 2016									
Profit for the year		-	-	-	-	-	-	4,638,187	4,638,187
Other comprehensive income		-	-	-	-	437,118	2,972	-	440,090
Total comprehensive income		-	-	-	-	437,118	2,972	4,638,187	5,078,277
Issuance of H shares		-	-	-	-	-	-	-	-
Appropriation to surplus reserve		-	-	463,819	-	-	-	(463,819)	-
Appropriation to general reserve		-	-	-	927,637	-	-	(927,637)	-
Dividends declared for the year		-	-	-	-	-	-	(3,581,384)	(3,581,384)
As at 31 December 2016	62	7,162,769	45,577,448	3,071,195	6,354,298	3,162,823	18,981	10,594,696	75,942,210

54 Share capital, reserves and retained profits (continued)

(a) Movements in components of equity (continued)

	Note	Share capital	Reserves: Capital reserve	Reserves: Surplus reserve	Reserves: General reserve	Reserves: Fair value reserve	Reserves: Translation reserve	Retained profits	Total
As at 1 January 2015		5,600,000	17,125,163	1,692,854	3,597,616	1,739,345	3,113	7,327,694	37,085,785
Changes in equity for 2015									
Profit for the year		-	-	-	-	-	-	9,145,222	9,145,222
Other comprehensive income		-	-	-	-	986,360	12,896	-	999,256
Total comprehensive income		-	-	-	-	986,360	12,896	9,145,222	10,144,478
Issuance of H shares		1,562,769	28,452,285	-	-	-	-	-	30,015,054
Appropriation to surplus reserve		-	-	914,522	-	-	-	(914,522)	-
Appropriation to general reserve		-	-	-	1,829,045	-	-	(1,829,045)	-
Dividends declared for the year		-	-	-	-	-	-	(2,800,000)	(2,800,000)
As at 31 December 2015	62	7,162,769	45,577,448	2,607,376	5,426,661	2,725,705	16,009	10,929,349	74,445,317

54 Share capital, reserves and retained profits (continued)

(b) Share capital

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December 2016		*As at 31 December 2015*	
	Number of shares (Thousand)	*Nominal value*	*Number of shares* (Thousand)	*Nominal value*
Registered, issued and fully paid:				
A shares of RMB1 each	5,443,723	5,443,723	5,443,723	5,443,723
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
Total	7,162,769	7,162,769	7,162,769	7,162,769

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued 162,768,800 H shares.

According to the relevant requirements of PRC regulators, existing shareholder of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

The H shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

(c) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 1 June 2015. The excess of the proceeds over the nominal value of the total number of ordinary shares issued which amounted to RMB28,590,928 thousand was credited to the capital reserve, net of offering expenses (of which the inter-group transactions were eliminated on consolidation) of RMB441,058 thousand.

54 Share capital, reserves and retained profits (continued)

(d) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

(e) General reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

(f) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets until the assets are derecognised or impaired.

(g) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

(h) Dividends

Pursuant to the resolution of the general meeting of the shareholders dated 7 June 2016, the Company was approved to distribute cash dividends of RMB5.00 (tax inclusive) per 10 Shares to our existing holders of A Shares and H shares, with total cash dividends amounting to RMB3,581,384 thousand.

55 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2016 and 31 December 2015 not provided for in the financial statements were as follows:

	As at 31 December	
	2016	*2015*
Contracted, but not provided for	73,041	685,483

The above-mentioned capital commitments mainly represent the construction of properties of the Group.

(b) Operating lease commitments

As at 31 December 2016 and 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December	
	2016	*2015*
Within 1 year (inclusive)	223,519	193,132
1-2 years (inclusive)	154,874	139,112
2-3 years (inclusive)	131,189	87,255
After 3 years	61,362	70,516
Total	570,944	490,015

56 Interests in structured entities

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the asset management schemes where the Group involves as manager or investment consultant and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2016 and 31 December 2015, the Group consolidates 29 and 36 structured entities respectively, which are mainly asset management schemes. As at 31 December 2016 and 31 December 2015, the total assets of the consolidated structured entities are RMB84,733,108 thousand and RMB93,767,004 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB6,808,105 thousand and RMB5,816,381 thousand respectively.

(b) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 56(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 31 December 2016 and 31 December 2015, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB835,989,087 thousand and RMB551,860,637 thousand respectively. As at 31 December 2016 and 31 December 2015, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB570,174 thousand and RMB168,274 thousand respectively.

During the years ended 31 December 2016 and 31 December 2015, income derived from these unconsolidated structured entities held by the Group amounted to RMB1,015,178 thousand and RMB337,287 thousand respectively.

56 Interests in structured entities (continued)

(c) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2016 and 31 December 2015, which are listed as below:

	As at 31 December 2016		
	Available-for-sale financial assets	*Financial assets at fair value through profit or loss*	*Total*
Funds	688,970	22,744,645	23,433,615
Wealth management products	24,617,402	5,503,590	30,120,992
Total	25,306,372	28,248,235	53,554,607

	As at 31 December 2015		
	Available-for-sale financial assets	*Financial assets at fair value through profit or loss*	*Total*
Funds	257,441	49,917,227	50,174,668
Wealth management products	15,799,134	15,090,005	30,889,139
Total	16,056,575	65,007,232	81,063,807

57 Outstanding litigations

As at 31 December 2016 and 31 December 2015, the Group involved as defendant in certain lawsuit with claim amounts of approximately RMB4,472 thousand and RMB3,542 thousand, respectively. Based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The directors of the Company are of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations.

58 Related party relationships and transactions

(a) Relationship of related parties

(i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders is set out in Note 58(b)(i).

(ii) Subsidiaries of the Group

The detailed information of the Group's subsidiaries is set out in Note 24.

(iii) Associates of the Group

The detailed information of the Group's associates is set out in Note 25.

(iv) Joint venture of the Group

The detailed information of the Group's joint venture is set out in Note 26.

(v) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

58 Related party relationships and transactions (continued)

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders:

	As at 31 December	
	2016	*2015*
Balances at the end of the year:		
Accounts payable to brokerage clients		
- Jiangsu Guoxin Investment Group Limited	50	171
- Jiangsu Communications Holding Company Limited	29	11
Financial assets at fair value through profit or loss		
- Jiangsu Guoxin Investment Group Limited	10,300	63,474
- Jiangsu Communications Holding Company Limited	151,054	349,863
Other receivables and prepayments		
- Jiangsu Guoxin Investment Group Limited	391	2,343
- Jiangsu Communications Holding Company Limited	1,017	3,946
Other payables and accruals		
- Jiangsu Guoxin Investment Group Limited	3,211	3,211

	Year ended 31 December	
	2016	*2015*
Transactions during the year:		
Fee and commission income		
- Jiangsu Guoxin Investment Group Limited	253	10,884
- Jiangsu Communications Holding Company Limited	-	18
Net investment gains		
- Jiangsu Guoxin Investment Group Limited	3,621	4,734
- Jiangsu Communications Holding Company Limited	5,768	3,973

58 Related party relationships and transactions (continued)

(b) Related parties transactions and balances (continued)

(ii) Transactions between the Group and associates and joint venture:

	As at 31 December	
	2016	*2015*
Balances at the end of the year:		
Available-for-sale financial assets		
- China Southern Asset Management Co., Ltd.	685,796	18,934
Financial assets at fair value through profit or loss		
- China Southern Asset Management Co., Ltd.	4,166,441	1,188,319
- Huatai-PineBridge Fund Management Co., Ltd.	5,548,104	211,776
Accounts receivable		
- China Southern Asset Management Co., Ltd.	15,785	4,028
- Huatai-PineBridge Fund Management Co., Ltd.	18,316	5,491
- Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	3,444	-
- Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	8,288	-
Other receivables and prepayments		
- Huatai-PineBridge Fund Management Co., Ltd.	461	-
Accounts payable to brokerage clients		
- China Southern Asset Management Co., Ltd.	65	19
- Huatai-PineBridge Fund Management Co., Ltd.	-	12,399

58 Related party relationships and transactions (continued)

(b) Related parties transactions and balances (continued)

(ii) Transactions between the Group and associates and joint venture (continued):

	Year ended 31 December	
	2016	*2015*
Transactions during the year:		
Fee and commission income		
- China Southern Asset Management Co., Ltd.	47,070	43,951
- Huatai-PineBridge Fund Management Co., Ltd.	22,597	47,945
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	19,714	40,000
- Jiangsu Industry and Information Industry Investment Fund (Limited Partnership)	1,169	-
- Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership)	9,697	-
- Jiangsu Huatai Strategic Emerging Industry Investment Fund (Limited Partnership)	48,482	-
- Nanjing Huatai Rulian NO.2 Funds Mergers (Limited Partnership)	51,635	-
- Nanjing Huatai Rulian NO.3 Funds Mergers (Limited Partnership)	10,711	-
- Nanjing Huatai Rulian NO.4 Funds Mergers (Limited Partnership)	925	-
- Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	3,266	-
- Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	7,859	-
Net investment gains		
- China Southern Asset Management Co., Ltd.	23,505	161,283
- Huatai-PineBridge Fund Management Co., Ltd.	30,793	230,046
Other income and gains		
- China Southern Asset Management Co., Ltd.	1,104	1,104
- Huatai-PineBridge Fund Management Co., Ltd.	99	100

During the year of 2016, Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) has disposed the collective asset management schemes managed by the Group amounting to RMB402,972 thousand which has been subscribed in 2015.

During the year of 2016 and 2015, the capital injection made by the Group into the associates are RMB336,550 thousand and RMB394,000 thousand, respectively. During the year of 2016, the disinvestment made by the Group from the associates is RMB35,006 thousand.

During the year of 2016 and 2015, the dividend received from associates are RMB211,000 thousand and RMB135,000 thousand, respectively.

58 Related party relationships and transactions (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 16, is as follows:

	As at 31 December	
	2016	*2015*
Short-term employee benefits		
- Fees, salaries, allowances and bonuses	29,836	22,595
Post-employment benefits		
- Contribution to pension scheme	465	505
Total	30,301	23,100

Total remuneration is included in "staff costs" (see Note 11).

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions set out in Note 58(b) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

59 Segment reporting

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, and also selling securities products and services to institutional investor clients and providing professional research services to facilitate their investment decisions. Moreover, the activities of providing margin financing, securities lending, securities-backed lending and sell financial products are included in this segment.

- Investment banking segment provides investment banking services to the Group's corporate clients, including financial advisory, equity underwriting and debt underwriting as well as National Equities Exchange and Quotations and regional equity exchange-related services.

- Asset management segment manages the developing of asset management products and services based on the asset scale and clients' needs, provides traditional asset management services, and operates private equity asset management business through wholly-owned subsidiaries.

59 Segment reporting (continued)

- Investment and trading segment engages in trading equity securities, fixed-income securities, derivatives, commodities and other financial products for own account for the objective of achieving investment income, developing and issuing Over-the Counter("OTC") financial products, and trading with counterparties over the counter.

- Overseas business and others segment includes the overseas business of overseas subsidiaries and other operations of head office, including interest income and interest expense incurred for general working capital purpose.

(a) Business segments

For the year ended 31 December 2016

	Brokerage and wealth management	*Investment banking*	*Asset management*	*Investment and trading*	*Overseas business and others*	*Segment total*
Revenue						
-External	15,443,098	2,465,004	3,097,674	2,338,352	919,851	24,263,979
-Inter-segment	952	1,132	-	(584)	-	1,500
Other income and gains	115,258	45,962	76,315	154	169,408	407,097
Segment revenue and other income	15,559,308	2,512,098	3,173,989	2,337,922	1,089,259	24,672,576
Segment expenses	(9,986,520)	(1,567,059)	(1,017,082)	(902,133)	(3,059,638)	(16,532,432)
Segment operating profit/(loss)	5,572,788	945,039	2,156,907	1,435,789	(1,970,379)	8,140,144
Share of profit of associates and joint venture	-	-	(1,003)	-	454,990	453,987
Profit/(loss) before income tax	5,572,788	945,039	2,155,904	1,435,789	(1,515,389)	8,594,131
Interest income	7,629,151	221,793	523,188	27,791	476,023	8,877,946
Interest expenses	(2,948,600)	-	(144,581)	(630,123)	(1,671,315)	(5,394,619)
Depreciation and amortisation expenses	(104,627)	(11,705)	(2,994)	(11,179)	(278,022)	(408,527)
(Provision for)/reversal of impairment losses	(18,421)	56,781	(905)	-	-	37,455
Segment assets	187,696,676	4,983,973	105,455,226	47,338,971	177,226,039	522,700,885
Additions to non-current segment assets during the year	145,363	21,853	14,655	10,095	240,151	432,117
Segment liabilities	185,273,352	1,716,322	90,745,424	47,188,921	112,116,669	437,040,688

59 Segment reporting (continued)

(a) Business segments (continued)

For the year ended 31 December 2015

	Brokerage and wealth management	*Investment banking*	*Asset management*	*Investment and trading*	*Overseas business and others*	*Segment total*
Revenue						
-External	28,568,744	1,897,040	2,540,445	4,483,426	1,361,655	38,851,310
-Inter-segment	4,463	-	-	(1,189)	145,242	148,516
Other income and gains	93,160	10,558	(34,587)	39,090	464,018	572,239
Segment revenue and other income	28,666,367	1,907,598	2,505,858	4,521,327	1,970,915	39,572,065
Segment expenses	(16,490,926)	(1,261,818)	(852,766)	(1,573,213)	(5,399,064)	(25,577,787)
Segment operating profit/(loss)	12,175,441	645,780	1,653,092	2,948,114	(3,428,149)	13,994,278
Share of profit of associates and joint venture	-	1,737	(9,925)	-	428,264	420,076
Profit/(loss) before income tax	12,175,441	647,517	1,643,167	2,948,114	(2,999,885)	14,414,354
Interest income	10,611,162	155,603	476,748	35,721	614,448	11,893,682
Interest expenses	(5,204,928)	-	(127,553)	(869,500)	(1,610,210)	(7,812,191)
Depreciation and amortisation expenses	(126,535)	(9,316)	(1,668)	(6,789)	(188,444)	(332,752)
(Provision for)/reversal of impairment losses	(86,310)	15,389	(642)	(1,696)	-	(73,259)
Segment assets	225,408,327	3,927,545	111,375,630	66,913,968	156,018,416	563,643,886
Additions to non-current segment assets during the year	96,510	8,412	4,387	7,251	922,797	1,039,357
Segment liabilities	223,363,304	1,309,546	102,015,328	64,907,119	90,519,818	482,115,115

59 Segment reporting (continued)

(a) Business segments (continued)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	Year ended 31 December	
	2016	*2015*
Revenue		
Total revenue and other income for segments	24,672,576	39,572,065
Elimination of inter-segment revenue	(40,948)	(156,540)
Consolidated revenue and other income	24,631,628	39,415,525
Profit		
Total profit before income tax for segments	8,594,131	14,414,354
Elimination of inter-segment profit	(703)	(150,857)
Consolidated profit before income tax	8,593,428	14,263,497

	As at 31 December	
	2016	*2015*
Assets		
Total assets for segments	522,700,885	563,643,886
Elimination of inter-segment assets	(121,250,488)	(111,029,271)
Consolidated total assets	401,450,397	452,614,615
Liabilities		
Total liabilities for segments	(437,040,688)	(482,115,115)
Elimination of inter-segment liabilities	121,250,488	111,029,271
Consolidated total liabilities	(315,790,200)	(371,085,844)

For the year ended 31 December 2016 and 31 December 2015, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

59 Segment reporting (continued)

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates, interest in joint venture and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates and interest in joint venture.

	Year ended 31 December 2016			*Year ended 31 December 2015*		
	Mainland China	*Overseas*	*Total*	*Mainland China*	*Overseas*	*Total*
Segment Revenue						
Revenue from external customers	23,885,732	378,247	24,263,979	38,494,057	357,253	38,851,310
Other income and gains	387,552	(19,903)	367,649	587,634	(23,419)	564,215
Total	24,273,284	358,344	24,631,628	39,081,691	333,834	39,415,525

	As at 31 December 2016			*As at 31 December 2015*		
	Mainland China	*Overseas*	*Total*	*Mainland China*	*Overseas*	*Total*
Specified non-current assets	8,575,058	7,179,284	15,754,342	7,627,752	14,422	7,642,174

60 Financial instruments and risk management

The Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was exposed to three types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; (iii) counterparty credit risk from a counterparty's default on the derivative transaction, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending, stock repurchases business and OTC derivative transaction, the Group evaluate the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending, stock repurchases business and OTC derivative transaction and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

60 Financial instruments and risk management (continued)

(a) Credit risk (continued)

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	As at 31 December	
	2016	*2015*
Held-to-maturity investments	5,000	5,000
Refundable deposits	8,158,628	6,009,300
Accounts receivable	991,413	621,554
Other receivables and prepayments	4,815,938	3,734,670
Margin accounts receivable	56,605,104	67,432,118
Available-for-sale financial assets	980,430	445,105
Financial assets held under resale agreements	46,331,182	25,634,528
Financial assets at fair value through profit or loss	52,345,113	56,011,551
Derivative financial assets	106,591	334,750
Clearing settlement funds	1,228,801	2,551,703
Cash held on behalf of brokerage clients	94,568,934	131,944,524
Bank balances	45,229,651	36,706,281
Total maximum credit risk exposure	311,366,785	331,431,084

60 Financial instruments and risk management (continued)

(a) Credit risk (continued)

(ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

	By geographical area		
	Mainland China	*Outside Mainland China*	*Total*
31 December 2016			
Held-to-maturity investments	5,000	-	5,000
Refundable deposits	8,150,415	8,213	8,158,628
Accounts receivable	593,295	398,118	991,413
Other receivables and prepayments	4,792,049	23,889	4,815,938
Margin accounts receivable	56,523,470	81,634	56,605,104
Available-for-sale financial assets	514,802	465,628	980,430
Financial assets held under resale agreements	46,194,762	136,420	46,331,182
Financial assets at fair value through profit or loss	51,008,899	1,336,214	52,345,113
Derivative financial assets	99,728	6,863	106,591
Clearing settlement funds	1,226,168	2,633	1,228,801
Cash held on behalf of brokerage clients	93,875,719	693,215	94,568,934
Bank balances	42,756,372	2,473,279	45,229,651
Total maximum credit risk exposure	305,740,679	5,626,106	311,366,785

60 Financial instruments and risk management (continued)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

	By geographical area		
	Mainland China	*Outside Mainland China*	*Total*
31 December 2015			
Held-to-maturity investments	5,000	-	5,000
Refundable deposits	6,007,118	2,182	6,009,300
Accounts receivable	393,262	228,292	621,554
Other receivables and prepayments	3,730,707	3,963	3,734,670
Margin accounts receivable	67,352,032	80,086	67,432,118
Available-for-sale financial assets	408,580	36,525	445,105
Financial assets held under resale agreements	25,634,528	-	25,634,528
Financial assets at fair value through profit or loss	55,000,741	1,010,810	56,011,551
Derivative financial assets	325,997	8,753	334,750
Clearing settlement funds	2,549,633	2,070	2,551,703
Cash held on behalf of brokerage clients	131,313,767	630,757	131,944,524
Bank balances	34,127,174	2,579,107	36,706,281
Total maximum credit risk exposure	326,848,539	4,582,545	331,431,084

60 Financial instruments and risk management (continued)

(a) Credit risk (continued)

(iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	As at 31 December	
	2016	*2015*
Rating		
- AAA	6,341,889	5,694,204
- From A to AA+	17,285,585	23,828,562
- A-1	719,150	4,309,946
- C	3,951	-
Sub-total	24,350,575	33,832,712
Non-rated (1)	26,928,346	22,560,807
Total	51,278,921	56,393,519

(1) Non-rated financial assets mainly represent debts instruments issued by the Ministry of Finance of the People's Republic of China, the PBOC, and policy banks, which are creditworthy issuers in the market, private bonds and trading securities, which are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivate financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

60 Financial instruments and risk management (continued)

(b) Liquidity risk (continued)

	As at 31 December 2016								
Financial Liabilities	*Carrying amount*	*Overdue/ repayable on demand*	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Undated*	*Total*
Short-term bank loans	460,255	-	3,270	4,970	461,970	-	-	-	470,210
Short-term debt instruments issued	1,621,000	-	1,392,049	161,743	83,383	-	-	-	1,637,175
Placements from other financial institutions	6,650,000	-	1,167,442	5,583,417	-	-	-	-	6,750,859
Accounts payable to brokerage clients	92,728,837	92,728,837	-	-	-	-	-	-	92,728,837
Other payables and accruals	77,105,368	75,208,910	1,096,904	-	799,554	-	-	-	77,105,368
Financial assets sold under repurchase agreements	19,463,375	-	12,295,686	1,140,431	6,219,759	-	-	-	19,655,876
Derivative financial liabilities	864,011	-	2,308	108,455	114,993	638,255	-	-	864,011
Financial liabilities at fair value through profit or loss	27,919,978	358,231	29,251	1,313,185	1,065,096	20,479,074	5,215,892	-	28,460,729
Long-term bonds	75,847,816	-	6,354,000	1,016,767	21,972,662	49,237,793	6,612,000	-	85,193,222
Total	302,660,640	168,295,978	22,340,910	9,328,968	30,717,417	70,355,122	11,827,892	-	312,866,287

60 Financial instruments and risk management (continued)

(b) Liquidity risk (continued)

	As at 31 December 2015								
Financial Liabilities	*Carrying amount*	*Overdue/ repayable on demand*	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Undated*	*Total*
Short-term bank loans	688,322	-	-	-	704,008	-	-	-	704,008
Short-term debt instruments issued	1,053,004	-	-	585,158	529,750	-	-	-	1,114,908
Placements from other financial institutions	3,000,000	-	3,001,489	-	-	-	-	-	3,001,489
Accounts payable to brokerage clients	128,367,379	128,367,379	-	-	-	-	-	-	128,367,379
Other payables and accruals	96,019,269	94,451,623	138,600	-	1,452,321	-	-	-	96,042,544
Financial assets sold under repurchase agreements	33,192,019	-	15,905,050	263,438	7,151,393	10,893,123	-	-	34,213,004
Derivative financial liabilities	2,460,345	-	132,190	1,193,011	868,367	266,777	-	-	2,460,345
Financial liabilities at fair value through profit or loss	21,428,292	62,020	45,005	11,216,011	3,693,402	-	6,948,454	113	21,965,005
Long-term bonds	72,372,178	-	354,000	-	6,344,650	74,477,981	6,612,000	-	87,788,631
Long-term bank loans	484,985	-	1,957	75,196	76,725	380,269	-	-	534,147
Total	359,065,793	222,881,022	19,578,291	13,332,814	20,820,616	86,018,150	13,560,454	113	376,191,460

60 Financial instruments and risk management (continued)

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

(i) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

The following tables indicate the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

60 Financial instruments and risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	As at 31 December 2016						
Financial assets	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non interest-bearing*	*Total*
Held-to-maturity investments	-	-	5,000	-	-	-	5,000
Available-for-sale financial assets	1,012,286	178,870	147,930	561,320	-	41,836,156	43,736,562
Financial assets held under resale agreements	8,829,847	4,333,892	24,237,047	8,930,396	-	-	46,331,182
Refundable deposits	2,524,843	-	-	-	-	5,633,785	8,158,628
Accounts receivable	-	-	-	-	-	991,413	991,413
Other receivables and prepayments	-	-	-	-	-	661,835	661,835
Margin accounts receivable	3,168,277	6,338,674	47,053,199	44,954	-	-	56,605,104
Financial assets at fair value through profit or loss	21,709,237	3,979,318	19,863,618	25,050,734	2,754,688	9,749,636	83,107,231
Derivative financial assets	-	6,236	4,834	-	-	95,521	106,591
Clearing settlement funds	1,228,801	-	-	-	-	-	1,228,801
Cash held on behalf of brokerage clients	94,568,934	-	-	-	-	-	94,568,934
Cash and bank balances	19,307,986	10,520,950	15,000,715	400,000	-	381	45,230,032
Total	152,350,211	25,357,940	106,312,343	34,987,404	2,754,688	58,968,727	380,731,313

60 Financial instruments and risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	As at 31 December 2016						
Financial liabilities	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non interest-bearing*	*Total*
Short-term bank loans	(3,255)	-	(457,000)	-	-	-	(460,255)
Short-term debt instruments issued	(1,381,000)	(160,000)	(80,000)	-	-	-	(1,621,000)
Placements from other financial institutions	(1,150,000)	(5,500,000)	-	-	-	-	(6,650,000)
Accounts payable to brokerage clients	(92,728,837)	-	-	-	-	-	(92,728,837)
Other payables and accruals	-	-	-	-	-	(77,105,368)	(77,105,368)
Financial assets sold under repurchase agreements	(12,281,375)	(1,050,000)	(6,132,000)	-	-	-	(19,463,375)
Derivative financial liabilities	(2,015)	(19,096)	(3,286)	-	-	(839,614)	(864,011)
Financial liabilities at fair value through profit or loss	(29,251)	(1,313,185)	(1,055,600)	(13,722,800)	-	(11,799,142)	(27,919,978)
Long-term bonds	(6,000,000)	(1,000,000)	(18,900,000)	(43,956,752)	(5,991,064)	-	(75,847,816)
Total	(113,575,733)	(9,042,281)	(26,627,886)	(57,679,552)	(5,991,064)	(89,744,124)	(302,660,640)
Net interest rate risk exposure	38,774,478	16,315,659	79,684,457	(22,692,148)	(3,236,376)	(30,775,397)	78,070,673

60 Financial instruments and risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	As at 31 December 2015						
Financial assets	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non interest-bearing*	*Total*
Held-to-maturity investments	-	-	-	5,000	-	-	5,000
Available-for-sale financial assets	814,696	5,612	270,056	236,056	-	36,792,301	38,118,721
Financial assets held under resale agreements	3,989,198	3,147,469	14,654,493	3,843,368	-	-	25,634,528
Refundable deposits	2,148,189	-	-	-	-	3,861,111	6,009,300
Accounts receivable	-	-	-	-	-	621,554	621,554
Other receivables and prepayments	-	-	-	-	-	452,186	452,186
Margin accounts receivable	2,099,878	4,642,393	59,318,039	1,371,808	-	-	67,432,118
Financial assets at fair value through profit or loss	62,971,064	4,767,098	14,371,504	23,268,937	10,415,364	15,444,141	131,238,108
Derivative financial assets	1,832	25,681	555	-	-	306,682	334,750
Clearing settlement funds	2,551,703	-	-	-	-	-	2,551,703
Cash held on behalf of brokerage clients	131,902,039	42,485	-	-	-	-	131,944,524
Cash and bank balances	14,170,603	5,375,000	17,160,678	-	-	334	36,706,615
Total	220,649,202	18,005,738	105,775,325	28,725,169	10,415,364	57,478,309	441,049,107

60 Financial instruments and risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	As at 31 December 2015						
Financial liabilities	*Less than 1 month*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Non interest-bearing*	*Total*
Short-term bank loans	-	-	(688,322)	-	-	-	(688,322)
Short-term debt instruments issued	-	(553,004)	(500,000)	-	-	-	(1,053,004)
Placements from other financial institutions	(3,000,000)	-	-	-	-	-	(3,000,000)
Accounts payable to brokerage clients	(128,367,379)	-	-	-	-	-	(128,367,379)
Other payables and accruals	-	-	(475,000)	-	-	(95,544,269)	(96,019,269)
Financial assets sold under repurchase agreements	(15,892,019)	-	(6,500,000)	(10,800,000)	-	-	(33,192,019)
Derivative financial liabilities	(6,283)	(78,959)	-	-	-	(2,375,103)	(2,460,345)
Financial liabilities at fair value through profit or loss	(43,235)	(10,808,710)	(3,565,760)	-	-	(7,010,587)	(21,428,292)
Long-term bonds	-	-	(2,998,178)	(63,384,019)	(5,989,981)	-	(72,372,178)
Long-term bank loans	-	(62,500)	(62,500)	(359,985)	-	-	(484,985)
Total	(147,308,916)	(11,503,173)	(14,789,760)	(74,544,004)	(5,989,981)	(104,929,959)	(359,065,793)
Net interest rate risk exposure	73,340,286	6,502,565	90,985,565	(45,818,835)	4,425,383	(47,451,650)	81,983,314

60 Financial instruments and risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	As at 31 December	
	2016	*2015*
Move in yield curve		
Up 100 basis points	(486,257)	(741,509)
Down 100 basis points	504,109	812,227

	Sensitivity of equity	
	As at 31 December	
	2016	*2015*
Move in yield curve		
Up 100 basis points	(487,657)	(744,112)
Down 100 basis points	505,529	814,934

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

60 Financial instruments and risk management (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar ("USD") and HKD at the reporting date would have increased/(decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

	Sensitivity of net profit	
	As at 31 December	
Currency	*2016*	*2015*
USD	1,977	95,975
HKD	(54,442)	(70,651)

	Sensitivity of equity	
	As at 31 December	
Currency	*2016*	*2015*
USD	(56,715)	38,500
HKD	(54,442)	(70,651)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity of may arise with this.

60 Financial instruments and risk management (continued)

(c) Market risk (continued)

(iii) Price risk

The Group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and available-for-sale financial instruments. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the held for trading financial instruments and the proportionate fluctuation in the Group's equity due to the price fluctuation of the held for trading and available-for-sale financial instruments.

Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of net profit	
	As at 31 December	
	2016	*2015*
Increase by 10%	73,554	5,565,907
Decrease by 10%	(73,554)	(5,565,907)

	Sensitivity of equity	
	As at 31 December	
	2016	*2015*
Increase by 10%	3,282,411	8,369,220
Decrease by 10%	(3,282,411)	(8,369,220)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2016 and 2015.

(d) Capital management

The Group's objectives of capital management are:

(i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's stability and growth;

(iii) To maintain a strong capital base to support the development of their business; and

(iv) To comply with the capital requirements under the PRC, Hong Kong and the United States regulations.

60 Financial instruments and risk management (continued)

(d) Capital management (continued)

As at 16 June 2016, Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Revised Administrative Measures") and Calculation Standard for Risk Control Indicators of Securities Companies were issued by the CSRC. The Company is required to meet the following standards for risk control indicators on a continual basis from 1 October 2016:

(i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");

(ii) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");

(iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");

(iv) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");

(v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");

(vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 6");

(vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8% ("Ratio 7");

(viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 8");

(ix) The ratio of available stable funds divided by required stable funds shall be no less than 100% ("Ratio 9"); and

(x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400% ("Ratio 10").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Revised Administrative Measures.

As at 31 December 2016, the Company maintained the above ratios as follows:

	As at 31 December 2016
Net Capital	45,122,196
Ratio 1	206.71%
Ratio 2	59.42%
Ratio 3	38.09%
Ratio 4	64.10%
Ratio 5	55.38%
Ratio 6	65.95%
Ratio 7	21.35%
Ratio 8	246.05%
Ratio 9	139.68%
Ratio 10	193.75%

60 Financial instruments and risk management (continued)

(d) Capital management (continued)

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");

(ii) The ratio of net capital divided by net assets shall be no less than 40% ("Ratio 2");

(iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");

(iv) The ratio of net assets divided by liabilities shall be no less than 20% ("Ratio 4");

(v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5"); and

(vi) The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6").

As at 31 December 2015, the Company maintained the above ratios as follows:

	As at 31 December 2015
Net Capital	52,362,034
Ratio 1	880.74%
Ratio 2	70.34%
Ratio 3	39.67%
Ratio 4	56.41%
Ratio 5	79.45%
Ratio 6	72.99%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC, Hong Kong and the United States regulatory requirements, respectively. These subsidiaries comply with the capital requirements during the years ended 31 December 2016 and 31 December 2015.

60 Financial instruments and risk management (continued)

(e) Transfer of financial assets (continued)

The Group transferred financial assets to certain counterparties through repurchase agreements, securities lending and asset-backed securities scheme. These securities, margin accounts receivable and securities-backed lending are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities, margin loans and securities-backed lending.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, margin accounts receivable and financial assets held under resale agreements. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable or securities-backed lending and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities, margin accounts receivable and financial assets held under resale agreements are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as fair value through profit or loss and available-for-sale financial assets. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The Group sells margin accounts receivable to the securitisation vehicle, which in turn issue asset-backed securities to investors with the purchased assets as the underlying assets. Such securitisation vehicle is consolidated by the Group, consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors.

The cash flows that the securitisation vehicle collect from the transferred assets has not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognised these financial assets in the consolidated statements of financial position. The consideration received from the investors is recognised as a financial liability.

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

60 Financial instruments and risk management (continued)

(e) Transfer of financial assets (continued)

As at 31 December 2016

	Financial assets at fair value through profit or loss		*Available-for-sale financial assets*	*Margin accounts receivable*		*Financial assets held under resale agreements*	*Total*
	Sales and repurchase agreements	*Securities lending*	*Securities lending*	*Margin loans receivable backed repurchase*	*Asset-backed securities*	*Securities -backed lending*	
Carrying amount of transferred assets	-	-	-	7,431,807	-	1,366,900	8,798,707
Carrying amount of associated liabilities	-	-	-	(5,800,000)	-	(1,252,000)	(7,052,000)
Net position	-	-	-	1,631,807	-	114,900	1,746,707

As at 31 December 2015

	Financial assets at fair value through profit or loss		*Available-for-sale financial assets*	*Margin accounts receivable*		*Financial assets held under resale agreements*	*Total*
	Sales and repurchase agreements	*Securities lending*	*Securities lending*	*Margin loans receivable backed repurchase*	*Asset-backed securities*	*Securities -backed lending*	
Carrying amount of transferred assets	507,720	65,609	2,528	20,853,545	511,834	1,426,200	23,367,436
Carrying amount of associated liabilities	(511,059)	-	-	(17,700,000)	(475,000)	(1,000,000)	(19,686,059)
Net position	(3,339)	65,609	2,528	3,153,545	36,834	426,200	3,681,377

60 Financial instruments and risk management (continued)

(f) Offsetting financial assets and financial liabilities

The Group offsets the related financial assets and financial liabilities when the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

The Group has entered into master netting arrangements with counterparties for the derivative instruments.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on net basis.

Under the agreement of continuous net settlement made between the Group and clearing house, money obligations receivables and payables with clearing house on the same settlement date are settled on net basis.

60 Financial instruments and risk management (continued)

(f) Offsetting financial assets and financial liabilities (continued)

As at 31 December 2016

	Gross amounts of recognised financial assets	*Gross amounts of recognised financial liabilities set off in the consolidated statements of financial position*	*Net amounts of financial assets presented in the consolidated statements of financial position*	*Related amounts not set off in the consolidated statements of financial position*		*Net amount*
				Financial instruments	*Cash collateral received*	
Financial assets						
Derivative financial assets	164,518	(57,927)	106,591	-	-	106,591
Accounts receivable	171,170	(1,129)	170,041	-	-	170,041
Total	335,688	(59,056)	276,632	-	-	276,632

	Gross amounts of recognised financial liabilities	*Gross amounts of recognised financial assets set off in the consolidated statements of financial position*	*Net amounts of financial liabilities presented in the consolidated statements of financial position*	*Related amounts not set off in the consolidated statements of financial position*		*Net amount*
				Financial instruments	*Cash collateral pledged*	
Financial liabilities						
Derivative financial liabilities	(874,765)	10,754	(864,011)	-	-	(864,011)
Other payables and accruals	(813,204)	99,784	(713,420)	-	-	(713,420)
Total	(1,687,969)	110,538	(1,577,431)	-	-	(1,577,431)

60 Financial instruments and risk management (continued)

(f) Offsetting financial assets and financial liabilities (continued)

As at 31 December 2015

	Gross amounts of recognised financial assets	*Gross amounts of recognised financial liabilities set off in the consolidated statements of financial position*	*Net amounts of financial assets presented in the consolidated statements of financial position*	*Related amounts not set off in the consolidated statements of financial position*		*Net amount*
Financial assets				*Financial instruments*	*Cash collateral received*	
Derivative financial assets	334,750	-	334,750	-	-	334,750
Accounts receivable	78,130	(18,177)	59,953	-	-	59,953
Total	412,880	(18,177)	394,703	-	-	394,703

	Gross amounts of recognised financial liabilities	*Gross amounts of recognised financial assets set off in the consolidated statements of financial position*	*Net amounts of financial liabilities presented in the consolidated statements of financial position*	*Related amounts not set off in the consolidated statements of financial position*		*Net amount*
Financial liabilities				*Financial instruments*	*Cash collateral pledged*	
Derivative financial liabilities	(2,552,026)	91,681	(2,460,345)	-	-	(2,460,345)
Other payables and accruals	(3,974,488)	565,490	(3,408,998)	-	-	(3,408,998)
Total	(6,526,514)	657,171	(5,869,343)	-	-	(5,869,343)

60 Financial instruments and risk management (continued)

(f) Offsetting financial assets and financial liabilities (continued)

Except for the enforceable master netting arrangements and the offset-right of the financial instruments under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreements and financial assets sold under repurchase agreements are disclosed in the corresponding notes, which are generally not on the net basis in the consolidated statement of 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 at 31 December 2016 and 31 December 2015, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments, net exposure is insignificant after setting off the collaterals.

61 Fair value information

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.

(ii) Financial instruments at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(iii) The fair values of held-to-maturity investments, short-term debt instruments issued and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.

(iv) Accounts receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

61 Fair value information (continued)

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of held-to-maturity investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

Carrying amount

	As at 31 December	
	2016	*2015*
Financial assets		
– Held-to-maturity investments	5,000	5,000
Total	5,000	5,000
Financial liabilities		
– Short-term debt instruments issued	(1,621,000)	(1,053,004)
– Long-term bonds	(75,847,816)	(72,372,178)
Total	(77,468,816)	(73,425,182)

Fair value

	2016			
	Level I	*Level II*	*Level III*	*Total*
Financial assets				
– Held-to-maturity investments	-	5,091	-	5,091
Total	-	5,091	-	5,091
Financial liabilities				
– Short-term debt instruments issued	-	-	1,621,000	1,621,000
– Long-term bonds	70,813,922	-	4,900,000	75,713,922
Total	70,813,922	-	6,521,000	77,334,922

61 Fair value information (continued)

(b) Fair value of other financial instruments (carried at other than fair value) (continued)

	2015			
	Level I	*Level II*	*Level III*	*Total*
Financial assets				
– Held-to-maturity investments	-	5,132	-	5,132
Total	-	5,132	-	5,132
Financial liabilities				
– Short-term debt instruments issued	-	-	(1,053,004)	(1,053,004)
– Long-term bonds	(62,807,111)	-	(9,600,000)	(72,407,111)
Total	(62,807,111)	-	(10,653,004)	(73,460,115)

The fair values of the financial assets and financial liabilities included in the level II and III 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 and available-for-sale financial assets at cost less impairment in the Group's statements of financial position approximate their fair values.

61 Fair value information (continued)

(c) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2016			
	Level I	*Level II*	*Level III*	*Total*
Assets				
Financial asets at fair value through profit or loss				
Financial assets held for trading				
– Debt securities	18,974,811	31,318,680	-	50,293,491
– Equity securities	4,379,288	186,218	-	4,565,506
– Funds	22,744,645	-	-	22,744,645
– Wealth management products	2,523,090	954,625	731,430	4,209,145
Financial assets designated at fair value through profit or loss				
– Equity securities	-	1,294,444	-	1,294,444
Available-for-sale financial assets				
– Debt securities	886,728	-	93,702	980,430
– Equity securities	9,092,231	6,883,073	10,361,224	26,336,528
– Funds	686,012	2,958	-	688,970
– Wealth management products	165,110	15,365,524	200,000	15,730,634
Derivative financial assets	8,005	78,345	20,241	106,591
Total	59,459,920	56,083,867	11,406,597	126,950,384
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(1,548,466)	-	-	(1,548,466)
Financial liabilities designated at fair value through profit or loss	-	(14,930,601)	(11,440,911)	(26,371,512)
Derivative financial liabilities	(6,240)	(847,361)	(10,410)	(864,011)
Total	(1,554,706)	(15,777,962)	(11,451,321)	(28,783,989)

61 Fair value information (continued)

(c) Fair value hierarchy (continued)

	2015			
	Level I	*Level II*	*Level III*	*Total*
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Debt securities	17,869,565	37,825,466	250,911	55,945,942
– Equity securities	9,661,017	623,917	-	10,284,934
– Funds	49,917,227	-	-	49,917,227
– Wealth management products	1,005,523	11,690,822	1,193,660	13,890,005
Financial assets designated at fair value through profit or loss				
– Equity securities	-	1,200,000	-	1,200,000
Available-for-sale financial assets				
– Debt securities	199,531	108,259	134,787	442,577
– Equity securities	10,528,536	1,721,308	9,163,936	21,413,780
– Funds	253,631	3,810	-	257,441
– Wealth management products	459,830	15,339,304	-	15,799,134
Derivative financial assets	7,626	170,539	156,585	334,750
Total	89,902,486	68,683,425	10,899,879	169,485,790
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(113)	(14,417,705)	-	(14,417,818)
Financial liabilities designated at fair value through profit or loss	-	(7,010,474)	-	(7,010,474)
Derivative financial liabilities	(39,534)	(2,420,516)	(295)	(2,460,345)
Total	(39,647)	(23,848,695)	(295)	(23,888,637)

For the year ended 31 December 2016 , there was a transfer from Level III to Level II due to the listing of equity securities with lock-up period. There was no significant transfer among Level I and Level II. For the year end 31 December 2015, there were no significant transfer among Level I, Level II and Level III of the fair value hierarchy.

61 Fair value information (continued)

(c) Fair value hierarchy (continued)

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange classified as trading securities or available for sale.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at 31 December 2016 and 31 December 2015, the Group's valuation methods for specific investments are as follows:

(1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.

(2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.

(3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.

(4) For debt securities traded through the inter-bank bond market and OTC market, fair values are determined using valuation techniques.

(5) For gold leasing and derivative financial instruments, fair value is determined using valuation techniques.

61 Fair value information (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	*Available-for-sale financial assets*	*Derivative financial assets*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2016	1,444,571	9,298,723	156,585	-	(295)	10,899,584
Gains or losses for the year	5,522	8,183	(17,539)	(585,431)	2,550	(586,715)
Changes in fair value recognised in other comprehensive income	-	2,912,765	-	-	-	2,912,765
Purchases	60,000	4,432,424	-	(10,855,480)	(10,018)	(6,373,074)
Sales and settlements	(778,663)	(5,997,170)	(118,804)	-	(2,646)	(6,897,283)
As at 31 December 2016	731,430	10,654,925	20,242	(11,440,911)	(10,409)	(44,723)
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	3,055	-	-	(585,431)	(3,575)	(585,951)

61 Fair value information (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

	Financial assets at fair value through profit or loss	*Available-for-sale financial assets*	*Derivative financial assets*	*Financial liabilities at fair value through profit or loss*	*Derivative financial liabilities*	*Total*
As at 1 January 2015	186,371	5,793,995	-	-	-	5,980,366
Gains or losses for the year	51,650	167,308	156,585	-	154	375,697
Changes in fair value recognised in other comprehensive income	-	1,172,639	-	-	-	1,172,639
Purchases	1,305,835	3,697,061	-	-	-	5,002,896
Sales and settlements	(99,285)	(1,532,280)	-	-	(449)	(1,632,014)
As at 31 December 2015	1,444,571	9,298,723	156,585	-	(295)	10,899,584
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	14,641	-	156,585	-	(295)	170,931

61 Fair value information (continued)

(c) Fair value hierarchy (continued)

(iv) Financial instruments in Level III (continued)

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets and liabilities	*Fair value hierarchy*	*Valuation technique(s) and key input(s)*	*Significant unobservable input(s)*	*Relationship of unobservable input(s) to fair value*
Wealth management products and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Private convertible bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
		Option pricing model	Stock price volatility	The higher the stock price volatility, the higher the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Over-the-counter options	Level III	Black-Scholes option pricing model	Price of underlying assets	N/A
			Price volatility of underlying assets	N/A

62 Company-level statement of financial position

	Note	As at 31 December 2016	2015
Non-current assets			
Property and equipment		2,443,530	3,320,289
Investment properties		2,028,931	1,218,239
Other intangible assets		432,715	415,088
Investments in subsidiaries		17,301,632	6,948,527
Interest in associates		2,149,482	1,935,635
Held-to-maturity investments		5,000	5,000
Available-for-sale financial assets		20,909,233	19,787,721
Financial assets held under resale agreements		7,751,396	1,442,189
Financial assets at fair value through profit or loss		1,294,444	1,200,000
Refundable deposits		1,833,842	1,141,826
Other non-current assets		61,948	68,601
Total non-current assets		56,212,153	37,483,115
Current assets			
Accounts receivable		151,497	255,171
Other receivables and prepayments		3,083,018	2,271,237
Margin accounts receivable		56,523,470	67,352,032
Available-for-sale financial assets		8,777,045	11,050,627
Financial assets held under resale agreements		24,225,509	15,178,485
Financial assets at fair value through profit or loss		27,199,271	60,172,285
Derivative financial assets		81,459	169,412
Clearing settlement funds		1,750,341	4,025,977
Cash held on behalf of brokerage clients		77,887,650	119,081,623
Cash and bank balances		15,498,654	6,510,332
Total current assets		215,177,914	286,067,181
Total assets		271,390,067	323,550,296

62 Company-level statement of financial position (continued)

	Note	As at 31 December 2016	2015
Current liabilities			
Short-term debt instruments issued		1,621,000	1,053,004
Placements from other financial institutions		6,650,000	3,000,000
Accounts payable to brokerage clients		71,803,690	113,691,456
Employee benefits payable		1,291,016	1,880,696
Other payables and accruals		9,458,152	12,190,512
Current tax liabilities		91,202	1,879,831
Financial assets sold under repurchase agreements		10,520,963	14,882,049
Financial liabilities at fair value through profit or loss		2,398,036	14,417,705
Derivative financial liabilities		851,834	2,447,068
Long-term banks loans due within one year		-	125,000
Long-term bonds due within one year		25,900,000	2,998,178
Total current liabilities		130,585,893	168,565,499
Net current assets		84,592,021	117,501,682
Total assets less current liabilities		140,804,174	154,984,797
Non-current liabilities			
Long-term bonds		46,583,195	66,177,256
Long-term bank loans		-	359,985
Non-current employee benefits payable		4,225,060	3,008,577
Deferred tax liabilities		330,909	193,662
Financial assets sold under repurchase agreements		-	10,800,000
Financial liabilities at fair value through profit or loss		13,722,800	-
Total non-current liabilities		64,861,964	80,539,480
Net assets		75,942,210	74,445,317

62 Company-level statement of financial position (continued)

	Note	As at 31 December 2016	2015
Equity			
Share capital	54(a)	7,162,769	7,162,769
Reserves		58,184,745	56,353,199
Retained profits		10,594,696	10,929,349
Total equity		75,942,210	74,445,317

Approved and authorised for issue by the board of directors on 30 March 2017.

Zhou Yi	Chen Chuanming
Chairman of the Board, Director and President	Director

63 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of the financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRS 9, Financial instruments	1 January 2018
IFRS 16, Leases	1 January 2019
Amendments to IAS 7, Statement of Cash Flow	1 January 2017
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 40, Investment Property	1 January 2018
Amendments to IFRS 2, Share-based payment	1 January 2018
Amendments to IFRS 10 and IAS 28, Sales or Contribution of Assets between An Investor and Its Associate or Joint Venture	No mandatory effective date yet determined
Annual Improvements 2014-2016 Cycle, Amendments to IFRS 1, IFRS 12 and IAS 28	

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

63 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 (continued)

IFRS 9, Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the recognition in other comprehensive income of 'own credit risk' related gains and losses that are part of the fair value changes of financial liabilities designated as measured at fair value through profit or loss; this version of IFRS 9 also carried forward the derecognition requirements of IAS 39. In November 2013 the new requirements for general hedge accounting were added to IFRS 9. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. The implementation date of IFRS 9 is 1 January 2018.

Key requirements of IFRS 9 that are relevant to the Group are:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. IFRS 9 requires an entity to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

63 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 (continued)

IFRS 9, Financial instruments (continued)

The Group is in the process of assessing the potential impact on the financial statements resulting from the adoption of IFRS 9. So far it has concluded that the adoption of IFRS 9 may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in IAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. IFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Until a detailed review of the impact of adopting IFRS 9 is performed, the Group cannot provide a reasonable estimate that quantifies the impact on its financial statements nor can it yet conclude whether that impact will be significant or not.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

IFRS 16, Leases

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 Leases and the related interpretations including IFRIC 4 Determining whether an arrangement contains a lease.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRSs 9, 15 and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.

64 Events after the reporting date

(a) Issuance of long-term bonds

On 24 February 2017, the Company completed the issuance of the first tranche of long-term bonds with total nominal value of RMB8 billion. The long-term bonds with nominal value of RMB6 billion bear interest at 4.50% per annum with a maturity of 1.5 years, while the remaining long-term bonds with nominal value of RMB2 billion bear interest at 4.65% per annum with a maturity of 3 years.

(b) Profit distribution plan after accounting periods

On 30 March 2017, based on the total ordinary shares of 7,162,768,800 of the Company, the Board proposed the cash dividends of RMB5.00 (tax inclusive) per 10 ordinary shares distributed to all the shareholders, with total cash dividend amounting to RMB3,581,384 thousand (2015: RMB3,581,384 thousand).

The proposal is pending for the approval of the general meeting of the shareholders. The cash dividend are not recognized as a liability as at 31 December 2016.