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Application Proof of

Guotai Junan Securities Co., Ltd.
國泰君安證券股份有限公司

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

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If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

國泰君安證券股份有限公司
Guotai Junan Securities Co., Ltd.

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

Number of [REDACTED] under the [REDACTED] : [REDACTED] H Shares (subject to the [REDACTED])

Number of Hong Kong [REDACTED] : [REDACTED] H Shares (subject to adjustment)

Number of International [REDACTED] : [REDACTED] H Shares (subject to adjustment and the [REDACTED])

Maximum [REDACTED] : HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)

Nominal value : RMB1.00 per H Share

Stock code : [●]

Joint Sponsors

國泰君安國際 GUOTAI JUNAN INTERNATIONAL　Goldman Sachs　BofA Merrill Lynch　浦銀國際 SPDB INTERNATIONAL

[REDACTED], [REDACTED] and [REDACTED]

[●]

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A copy of this document, having attached thereto the documents specified in the paragraph headed "*1. Documents Delivered to the Registrar of Companies in Hong Kong*" in Appendix IX, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other documents referred to above.

The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] (Hong Kong time) and, in any event, not later than [REDACTED] (Hong Kong time). The [REDACTED] will be not more than HK$[REDACTED] and is currently expected to be not less than HK$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED] (Hong Kong time) between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse.

Applicants for Hong Kong [REDACTED] are required to pay, on application, the maximum [REDACTED] of HK$[REDACTED] for each Hong Kong [REDACTED] together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] as finally determined is less than HK$[REDACTED].

The [REDACTED] (for themselves and on behalf of the [REDACTED]), with our consent, may, where considered appropriate, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range below that is stated in this document (which is HK$[REDACTED] to HK$[REDACTED] per [REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range will be published in the [●] (in English) and the [●] (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Such notices will also be available on the website of the Company at www.gtja.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "*Structure of the [REDACTED]*" and "*How to Apply for the Hong Kong [REDACTED]*".

We are incorporated and the vast majority of our businesses and assets are located in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "*Risk Factors*", "*Appendix VI — Summary of Certain Legal and Regulatory Matters*" and "*Appendix VII — Summary of Articles of Association*".

The obligations of the [REDACTED]under the [REDACTED] are subject to termination by the [REDACTED] (on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See "*Underwriting — Underwriting Arrangements and Expenses — the [REDACTED] — Grounds for Termination*".

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) to "Qualified Institutional Buyers" in U.S. in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not included in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors or advisors, or any other person or party involved in the [REDACTED]. Information contained on our website, located at www.gtja.com, does not form part of this document.

Page

Expected Timetable i

Contents iv

Summary 1

Forward-Looking Statements 15

Risk Factors 16

Waivers from Strict Compliance with the Hong Kong Listing Rules 40

Information about this Document and the [REDACTED] 51

Directors, Supervisors and Parties Involved in the [REDACTED] 56

Corporate Information 59

Industry Overview 61

History and Corporate Structure 74

Business 85

Risk Management 170

Financial Information 198

Directors, Supervisors and Senior Management 259

CONTENTS

Share Capital 283

Substantial Shareholders 290

Relationship with Controlling Shareholder 292

Connected Transactions 308

Future Plans and Use of Proceeds 320

Underwriting 322

Structure of the [REDACTED] 335

How to Apply for the Hong Kong [REDACTED] 344

Appendix I — Accountants' Report I-1

Appendix II — Unaudited Interim Financial Information II-1

Appendix III — Unaudited Pro Forma Financial Information III-1

Appendix IV — Taxation and Foreign Exchange IV-1

Appendix V — Regulatory Environment V-1

Appendix VI — Summary of Certain Legal and Regulatory Matters VI-1

Appendix VII — Summary of Articles of Association VII-1

Appendix VIII — Statutory and General Information VIII-1

Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection IX-1

Appendix X — Definitions X-1

Appendix XI — Glossary of Technical Terms XI-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the [REDACTED]. There are risks associated with any investment in the [REDACTED]. Some of the particular risks in investing in the [REDACTED] are set out in "Risk Factors". You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are an enduring, consistent and all-round leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, we have weathered many industry cycles while forging ahead to establish a comprehensive industry-leading position. From 2007 to 2015, our net profit attributable to equity holders of the Company ranked among the top three in the industry for nine consecutive years, and our operating revenue ranked among the top three in the industry for seven out of the nine years. Both our operating revenue and net profit attributable to equity holders of the Company ranked second in the industry for the nine months ended September 30, 2016.

We are committed to achieving quality growth and maintaining a balance among business scale, profitability and risk management. Our average return on net assets for the nine years from 2007 to 2015 was 19.7%, significantly higher than the industry average of 15.4%. We are the only one among the Top Five Securities Companies in the PRC to have attained the regulatory rating of Class A Grade AA from the CSRC for nine consecutive years. Class A Grade AA is the highest rating ever attained by any securities company to date.

We derive our success from the consensus of our culture among our employees, and the continuous implementation of such culture:

- **Our Value: We regard our clients as our first priority and balance the interests of all stakeholders.** We prioritize our clients and aim to create value for them through our professional services. We believe that we can only further the interests of our Shareholders and employees through creating value for our clients. We also believe that the pursuit of long-term goals can lead to the achievement of short-term objectives, and we are committed to striking a balance between business scale and profitability.

- **Our Approach to Profession: We adopt a culture of risk management and excellence.** We believe that risk management creates value and future development relies on compliant operations. We seek to identify the best people for all positions, and to provide the best quality services and deliver the best results to our clients.

- **Our People Culture: We are a people business and we promote collaboration and cooperation.** We view our employees as the cornerstone of our survival and growth. We place strong emphasis on our culture and heritage. We give our best employees opportunities for career advancements. Our people culture is based on both shared responsibilities and shared rewards.

- **Our Code of Conduct: We excel by innovation and cherish our reputation.** We believe that innovation is the driver for our future growth and the key to a sustainable leading position. We always cultivate a sense of crisis and take forward-looking and preemptive actions. We cherish our reputation, honor professional ethics, and commit to our status as a well-respected company.

Our vision is to become an integrated financial services provider with roots in China, global coverage and strong influence.

We have established the following business segments to better serve our clients:

- **Institutional Finance:** Our institutional finance business comprises investment banking and institutional investor services. We strive to capture market opportunities through collaboration between these two business lines:

  - Our investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and government clients;

  - Our institutional investor services business provides prime brokerage, sales and trading, securities-backed financing and research services to institutional investors. We also conduct proprietary trading in equities, derivative financial instruments and FICC;

- **Personal Finance:** Our personal finance business provides, through both offline and online channels, securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services;

- **Investment Management:** Our investment management business provides asset management and fund management services to institutions and individuals, and also includes our direct investment business; and

- **International Business:** We conduct brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong mainly through Guotai Junan International. Meanwhile, we have also built an international business platform around Guotai Junan Financial Holdings. We have expanded our business presence to the United States and Singapore.

COMPETITIVE STRENGTHS

We believe that by capitalizing upon the following competitive strengths, we will continue to seize the growth opportunities in the PRC capital markets and maintain our enduring, consistent and all-round leadership position.

- **Deeply rooted culture of risk management and excellence.**

  - We firmly believe that risk management is the core competency of securities companies. We have established a comprehensive and effective risk management and internal control system. As of September 30, 2016, our compliance and risk

management team accounted for 5.73% of our total employees and is embedded in our business divisions. Our comprehensive and effective risk management and internal control system has helped us attain excellent regulatory ratings. We are the only one among the Top Five Securities Companies in the PRC to have attained the regulatory rating of Class A Grade AA from the CSRC for nine consecutive years.

- Our culture of excellence is well reflected in our talent selection and our approach to client services. We are committed to identifying the best people for all positions mainly through internal promotion with external recruiting as a supplement. As of September 30, 2016, 57.3% of our management team at middle level or above have been working with us for ten years or more. We are committed to providing the highest quality services to and achieving the best results for our clients. We have built up high client loyalty with many of our corporate clients. For example, during the Track Record Period, we have served on two or more mandates for 121 of our investment banking clients, averaging more than three mandates per client. Our personal finance client accounts grew rapidly during the Track Record Period at a CAGR of 37.7%. In addition, we enjoy a distinctive pricing premium for many of our services. For example, for the nine months ended September 30, 2016, our average commission rate for stocks and funds brokerage was 21.0% higher than the industry average.

- **All-round leader in the PRC capital markets.** We are a consistent leader in terms of business scale. From 2011 to 2015, our operating revenue, net profit and total assets ranked among the top three in the industry for five consecutive years. For the nine months ended September 30, 2016, both our operating revenue and net profit attributable to equity holders of the Company ranked second in the industry. Our various business lines achieved comprehensive and balanced growth and were among the top in the securities industry. We ranked among the top three in the industry in terms of cumulative revenue from 2014 to 2015 from each of the key business lines of investment banking, securities investment, securities brokerage, margin financing and securities lending as well as asset management. In the 2016 New Fortune Best Analyst Award, we received the first prizes for "Best Domestic Research Team", "Most Influential Research Institute" and "Best Overseas Sales and Service Team".

- **Pioneer of technology and innovation in the PRC securities industry.** We are a frontrunner in the application of IT in the securities industry. We proactively deploy leading information technologies to guide our business decisions, enhance client experience and improve our management capabilities. We seek to obtain first-mover advantage through continuous innovation, which has brought us further diversified income growth. The ratio of Revenue from Innovative Businesses to our total revenue and other income increased from 30.3% in 2014 to 38.9% for the nine months ended September 30, 2016.

BUSINESS STRATEGIES

We aim to be an integrated financial services provider with an all-round leading position in China and international competitiveness. In particular, we plan to implement the following business strategies:

- **Institutional Finance: providing integrated financial solutions to institutional clients.** We intend to institutionalize client relationship. Our account manager team is responsible for exploring client needs as well as leading the sector and product teams to provide tailored services. We implement the initiative to organize businesses by sector across various business segments, which will help us identify key industries and corporate clients. We aim to enhance our product development capabilities and provide customized solutions to our corporate clients.

- **Personal Finance: enhancing client stickiness.** We will increase investment in the use of financial technologies including big data and artificial intelligence. We will improve our product development, product introduction and product evaluation system. We will also establish a multi-asset class, multi-market and multi-strategy product pool. In addition, we will upgrade our integrated financial service model and further enhance the services of our investment adviser team for high-end clients.

- **Investment Management: expanding AUM.** We will improve our multi-tiered and multi-product asset management system. We will also rapidly expand our high-value-added and non-discretionary funds focusing on fixed income funds, asset-backed securities and FOF asset management products. In addition, we will expand our direct investment business.

- **International Business: focusing on the demand of domestic clients for global asset allocation.** We will build a cross-border asset management platform through strategic cooperation. We will also improve our advanced global brokerage service technology platform. In addition, we will provide financial advisory, financing and risk management services through organic growth or strategic cooperation with leading international investment banks.

SUMMARY FINANCIAL AND OPERATING INFORMATION

For 2014, 2015 and the nine months ended September 30, 2016, our total revenue and other income was RMB24,403.1 million, RMB52,108.8 million and RMB27,912.3 million, respectively, and our profit for the year/period attributable to equity holders of the Company for the same periods was RMB6,757.9 million, RMB15,700.3 million and RMB7,646.5 million, respectively. As of September 30, 2016, our total equity attributable to equity holders of the Company was RMB97,495.5 million and our total assets was RMB386,028.1 million.

The following tables present our summary consolidated financial information as of and for the years ended December 31, 2014 and 2015 and as of and for the nine months ended September 30, 2015 and 2016.

Summary Consolidated Statements of Profit or Loss

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Fee and commission income	10,934.2	27,127.6	20,850.7	11,577.5
Interest income	6,862.5	15,433.8	12,003.2	8,897.5
Net investment gains	6,278.9	9,247.1	7,099.2	3,737.0
Total revenue	**24,075.6**	**51,808.6**	**39,953.0**	**24,212.0**
Other income and gains	327.5	300.2	287.5	3,700.3
Total revenue and other income	**24,403.1**	**52,108.8**	**40,240.5**	**27,912.3**
Total expenses	**14,926.9**	**30,074.9**	**23,309.9**	**16,247.7**
Operating profit	**9,476.2**	**22,033.8**	**16,930.6**	**11,664.7**
Share of profits of associates and joint ventures	0.4	17.3	9.6	53.2
Profit before income tax	**9,476.6**	**22,051.1**	**16,940.2**	**11,717.8**
Income tax expenses	2,305.0	5,356.3	4,152.8	2,684.7
Profit for the year/period	**7,171.6**	**16,694.8**	**12,787.5**	**9,033.1**
Attributable to:				
Equity holders of the Company	6,757.9	15,700.3	11,947.1	7,646.5
Non-controlling interests	413.7	994.5	840.4	1,386.6

Summary Consolidated Statements of Financial Position

	As of December 31,		As of September 30,
	2014	2015	2016
			(unaudited)
	(RMB in millions)		
Total non-current assets	33,608.2	59,590.7	75,922.9
Total current assets	285,694.3	394,751.6	310,105.2
Total assets	**319,302.5**	**454,342.4**	**386,028.1**
Total non-current liabilities	43,374.5	75,695.1	56,909.2
Total current liabilities	228,629.3	277,010.5	220,805.1
Total liabilities	**272,003.8**	**352,705.6**	**277,714.3**
Total equity	**47,298.7**	**101,636.7**	**108,313.8**
Equity attributable to equity holders of the Company	42,040.5	95,324.4	97,495.5

Summary Consolidated Statements of Cash Flows

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Net cash generated from/(used in) operating activities	4,275.0	(19,601.9)	10,278.1	(12,624.4)
Net cash used in investing activities	(7,434.5)	(22,851.5)	(23,125.9)	(2,320.8)
Net cash generated from/(used in) financing activities	27,948.8	51,946.8	53,405.2	(4,940.8)
Net increase/(decrease) in cash and cash equivalents	**24,789.4**	**9,493.4**	**40,557.5**	**(19,886.0)**
Cash and cash equivalents at the beginning of the year/period	7,701.1	32,533.4	32,533.4	42,163.3
Effect of foreign exchange rate changes	42.9	136.6	100.8	124.3
Cash and cash equivalents at the end of the year/period	**32,533.4**	**42,163.3**	**73,191.7**	**22,401.6**

Summary Segment Results

The following table sets forth our segment results for the periods indicated:

	Year ended December 31,						Nine months ended September 30,					
	2014			2015			2015			2016		
	Segment total revenue and other income	Percentage of total	Segment[(1)] margin	Segment total revenue and other income	Percentage of total	Segment[(1)] margin	Segment total revenue and other income	Percentage of total	Segment[(1)] margin	Segment total revenue and other income	Percentage of total	Segment[(1)] margin
							(unaudited)					
	(RMB in millions, except for percentages)											
Institutional finance	9,247.5	37.9%	48.1%	16,061.6	30.8%	50.5%	11,637.9	28.9%	48.5%	8,987.6	32.2%	28.2%
Personal finance	12,023.1	49.3%	35.3%	31,122.4	59.7%	40.2%	24,965.4	62.0%	40.5%	11,564.3	41.4%	34.4%
Investment management	1,450.3	5.9%	43.7%	2,610.8	5.0%	51.3%	1,896.0	4.7%	53.1%	5,037.2	18.0%	87.1%
International business	1,384.6	5.7%	51.7%	2,003.8	3.8%	41.8%	1,470.7	3.7%	41.6%	1,698.7	6.1%	46.4%
Other	297.6	1.2%	(189.0%)	310.1	0.6%	(241.7%)	270.5	0.7%	(157.9%)	624.5	2.2%	4.4%
Total	**24,403.1**	**100.0%**	**38.8%**	**52,108.8**	**100.0%**	**42.3%**	**40,240.5**	**100.0%**	**42.1%**	**27,912.3**	**100.0%**	**42.0%**

Note:

(1) Calculated by dividing segment profit/(loss) before income tax by segment total revenue and other income.

Key Financial and Operating Data

The following table sets forth our key financial data for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions, except for percentages)			
Operating profit[(1)]	9,476.2	22,033.8	16,930.6	11,664.7
Operating margin[(2)]	38.8%	42.3%	42.1%	41.8%
Adjusted operating margin[(3)]	52.1%	58.1%	57.6%	56.3%
Profit for the year/period	7,171.6	16,694.8	12,787.5	9,033.1
Net margin[(4)]	29.4%	32.0%	31.8%	32.4%
Adjusted net margin[(5)]	39.4%	44.0%	43.5%	43.6%

Notes:

(1) Operating profit = total revenue and other income - total expenses.

(2) Operating margin = operating profit for the year or period/total revenue and other income.

(3) Adjusted operating margin = operating profit/(total revenue and other income - fee and commission expenses and interest expenses). Adjusted operating margin is not a standard measure under IFRSs, but is presented here because PRC securities companies typically present their total revenue and other income after deducting fee and commission expenses and interest expenses under CAS, which is different from the practices for presenting the total revenue and other income under IFRSs. As a result, we believe that adjusted operating margin provides a meaningful indicator of results of operations that is more comparable to other PRC listed securities companies. Prospective investors should be aware that the adjusted operating margin presented in this document may not be comparable with other similarly titled measures reported by other securities companies due to different calculation methods or assumptions.

(4) Net margin = profit for the year or period/total revenue and other income.

(5) Adjusted net margin = profit for the year or period/(total revenue and other income - fee and commission expenses and interest expenses). Adjusted net margin is not a standard measure under IFRSs, but is presented here because PRC securities companies typically present their total revenue and other income after deducting fee and commission expenses and interest expenses under CAS, which is different from the practices for presenting the total revenue and other income under IFRSs. As a result, we believe that the adjusted net margin provides a meaningful indicator of results of operations that is more comparable to other PRC listed securities companies. Prospective investors should be aware that the adjusted net margin presented in this document may not be comparable with other similarly titled measures reported by other securities companies due to different calculation methods or assumptions.

The following table sets forth our key financial ratios for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
	(RMB, except for percentages)		
Return on average total equity[(1)]	17.8%	23.9%	11.1%
Return on average total assets[(2)]	3.0%	4.3%	2.9%
Earnings per share[(3)]	1.11	2.21	0.94

Notes:

(1) Calculated by dividing net profit for the year/period attributable to ordinary shareholders of the Company by the average balance of equity attributable to equity holders of the Company at the beginning and the end of the year/period, deducting the impact of perpetual bonds and arithmetically annualizing the result.

(2) Calculated by dividing net profit for the year/period by the average balance of total assets at the beginning and the end of the year/period and arithmetically annualizing the result.

(3) Calculated by dividing net profit for the year/period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year/period.

The following table sets forth key operating data of our principal business lines in China for the periods or as of the dates indicated:

	Years ended / as of December 31,		Nine months ended / as of September 30,
	2014	2015	2016
Underwritten amount of equity financing (RMB in millions)	32,814.0	90,284.5	70,326.6
Underwritten amount of debt financing (RMB in millions)	108,151.1	231,175.2	284,139.8
Net investment gains from proprietary trading (RMB in millions)	5,893.4	8,537.6	3,147.5
Rate of net return from proprietary trading[(1)] (%)	10.6	9.7	3.1
Net positions from proprietary trading (RMB in millions)	61,693.2	114,214.4	88,533.0
Outstanding balance of stock-pledged financing (RMB in millions)	19,820.6	33,941.1	58,898.9
Stocks and funds brokerage trading volume (RMB in billions)	8,910.1	29,096.3	10,639.4

	Years ended / as of December 31,		Nine months ended / as of September 30,
	2014	2015	2016
Stocks and funds average net commission rate[(2)] (bps)	7.18	5.78	4.72
Balance of margin loans (RMB in millions)	69,536.9	72,451.1	52,768.2
Balance of agency sales of financial products by wealth management business (RMB in millions)	43,166.5	79,663.4	90,309.1
AUM of asset management business (RMB in millions)	513,965.9	608,584.4	675,535.5

Notes:

(1) Calculated by dividing net investment income by the average balance of net position of proprietary trading at the beginning and the end of the period. Rate of net return on investment for the nine months ended September 30, 2016 is not annualized.

(2) Average net commission rate is calculated by dividing total commission, net of relevant variable costs, by total trading volume.

RISK MANAGEMENT, CAPITAL ADEQUACY AND LIQUIDITY

We consider risk management as our core competency. We have established a comprehensive and effective risk management and internal control system, which includes advanced risk management tools and technologies. We have established our compliance and risk management principles and insist on prudent management. We firmly believe that "risk management creates value, future development relies on compliant operations". Through our four-tier risk management structure, we accurately identify, reasonably evaluate, dynamically monitor, timely respond to and effectively control various risks arising from operations and management. These efforts have enhanced our risk management capabilities and provided effective assurance for our innovative transformation and sustainable development in recent years.

We have established a dynamic Net Capital monitoring mechanism to comply with statutory net capital requirements and other regulatory standards to maintain capital adequacy. As of December 31, 2014 and 2015 and September 30, 2016, we were in compliance with all of our capital adequacy and risk control indicator requirements. As of September 30, 2016, the Company's Net Capital was RMB68.8 billion and the Company's liquidity coverage ratio and net stable funding ratio was 291.9% and 139.3%, respectively, both of which were higher than regulatory standards. See "*Financial Information—Net Capital and Other Regulatory Requirements*".

RECENT DEVELOPMENT

As a securities firm listed on the Shanghai Stock Exchange, we are required by the CSRC to announce selected unconsolidated, unaudited monthly operating revenue and net profit and month-end net assets of the Company and two of our subsidiaries, Shanghai Securities and Guotai Junan Asset Management prepared in accordance with CAS.

On November 5 and December 7, 2016 and January 11, 2017, we announced the monthly key financial data of the Company, Shanghai Securities and Guotai Junan Asset Management for October, November and December 2016, respectively, on the website of the Shanghai Stock Exchange (www.sse.com.cn). The selected financial data included in these announcements were extracted from the management accounts of the Company, Shanghai Securities and Guotai Junan Asset Management, respectively, and were prepared in accordance with CAS on an unconsolidated basis. Information contained in these announcements does not form part of this document. We strongly caution you not to place any reliance on such information when considering whether to invest in our H Shares.

On January 12, 2017, Guotai Junan Innovation Investment entered into the third supplemental agreement to the Equity Transfer Agreement (as defined in "*Waivers From Strict Compliance with the Hong Kong Listing Rules*") with Shanghai Electric in relation to the transfer of a 20% equity interest in HuaAn Funds. Guotai Junan Innovation Investment has agreed to pay an additional amount of RMB20.1 million and Shanghai Electric has agreed not to unilaterally terminate the Equity Transfer Agreement before September 30, 2017. As of the Latest Practicable Date, this equity transfer was still pending approval of the relevant regulatory authorities. Please see "*Business—Our Principal Business Lines—Investment Management—Fund Management—HuaAn Funds*" and "*History and Corporate Structure—Major Restructurings, Acquisitions and Disposals—Acquisition of 20% Equity Interest in HuaAn Funds*".

In order to optimize the Group's business structure, on January 9, 2017, we publicly offered our 51% equity interest in GTJA Allianz Funds for sale at the initial tender price of RMB1,045.0 million. As of the Latest Practicable Date, our public offer was still outstanding. After the completion of the sale, we will no longer hold any equity interest in GTJA Allianz Funds. Please see "*Business—Our Principal Business Lines—Investment Management—Fund Management—GTJA Allianz Funds*" and "*History and Corporate Structure—Proposed Disposal of 51% Equity Interest in GTJA Allianz Funds*".

On May 19, 2016, the Shareholders approved the CB Issuance. On December 12, 2016, as authorized by the Shareholders' general meeting, the Board determined the aggregate principal amount of the CB Issuance as not more than RMB7.0 billion. On December 21, 2016, the CB Issuance was reviewed and approved by the CSRC Main Board Issuance Examination Committee. As of the Latest Practicable Date, we were still waiting for final approval by the CSRC. See "*Share Capital — CB Issuance*". As the approval by the CSRC is beyond our control, the timing of the completion of the CB Issuance is uncertain. It is possible that the CB Issuance may be carried out within six months from the [REDACTED]. We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 10.08 of the Hong Kong Listing Rules in respect of the CB Issuance. See *"Waivers from Strict Compliance with the Hong Kong Listing Rules — Waiver from Strict Compliance with Rule 10.08 of the Hong Kong Listing Rules"*.

Our businesses have continued to achieve steady growth since September 30, 2016. The Directors have confirmed that, there has been no material and adverse change in our financial or trading position or prospects since December 31, 2015, (being the date of our latest audited financial statements), and there has been no event since September 30, 2016 which could materially affect the information set out "*Appendix I — Accountants' Report*" and "*Appendix II — Unaudited Interim Financial Information*".

USE OF PROCEEDS

Assuming that the [REDACTED] is not exercised and that the [REDACTED] is HK$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] between HK$[REDACTED] and HK$[REDACTED] per [REDACTED]), we estimate that we will receive net proceeds of approximately [HK$[REDACTED]] million from the [REDACTED] after deducting underwriting commissions, professional fees and other fees incurred in connection with the [REDACTED]. We intend to use the net proceeds from the [REDACTED] in the manner set forth below:

Intended use of net proceeds	Percentage of the total estimated net proceeds	Amount
		(HK$ in millions)
Developing our institutional finance business	[REDACTED]%	[REDACTED]
Developing our personal finance business	[REDACTED]%	[REDACTED]
Developing our investment management business	[REDACTED]%	[REDACTED]
Developing our international business	[REDACTED]%	[REDACTED]
Additional working capital and other general corporate purposes	[REDACTED]%	[REDACTED]

For more details, please see "*Future Plans and Use of Proceeds*".

[REDACTED] STATISTICS

The statistics in the following table are based on the assumption that: (a) the [REDACTED] has been completed and [REDACTED] H Shares have been newly issued; (b) the [REDACTED] has not been exercised; and (c) the Convertible Bonds have not been converted.

	Based on an [REDACTED] of HK$[REDACTED]	Based on an [REDACTED] of HK$[REDACTED]
Market capitalization of our H Shares[(1)]	HK$[●] million	HK$[●] million
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per share[(2)]	HK$[●]	HK$[●]

Notes:

(1) The calculation of market capitalization is based on [●] H Shares (including [●] H Shares to be issued in the [REDACTED] and [●] H Shares to be converted from A Shares and transferred to the NSSF, which are expected to be outstanding immediately following the completion of the [REDACTED]).

(2) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per share is arrived at after the adjustments referred to in "*Appendix III—Unaudited Pro Forma Financial Information*".

CONTROLLING SHAREHOLDER

As of December 31, 2016, International Group controlled a total of approximately [36.29]% of our issued share capital directly and indirectly through Shanghai SA, International Group Asset Management, International Group Asset Operation and Shangguotou Assets Management. International Group is the state-owned capital operation platform under the Shanghai SASAC. With a view to maintaining an appropriate level of shareholding of International Group in the Company after the completion of the [REDACTED] pursuant to a governmental directive issued by the Shanghai SASAC, International Group (either by itself or through its nominee(s)) will subscribe for [REDACTED] H Shares through the [REDACTED]. See "*Waivers from Strict Compliance with the Hong Kong Listing Rules*" for details in relation to International Group's proposed subscription of our H Shares. See "*Relationship with Controlling Shareholder*" for details of International Group.

We will enter into the Framework Agreement (as defined in "*Connected Transactions*") with International Group. Transactions under this agreement will constitute our continuing connected transactions as defined under Chapter 14A of the Hong Kong Listing Rules. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us], a waiver from strict compliance with certain requirements under the Hong Kong Listing Rules in respect of transactions under the Framework Agreement. See "*Waivers from Strict Compliance with the Hong Kong Listing Rules*" and "*Connected Transactions*".

DIVIDEND POLICY

The Company distributes dividends primarily in the form of cash, but also distributes dividends in the form of stocks or a combination of cash and stocks. The Articles of Association specifically provides for relevant ratios of cash dividends: (i) the Company will distribute cash dividends in an amount equal to at least 15% of the annual distributable profits in any fiscal year and (ii) if dividends in any distribution consists of both cash and stocks, the cash dividends shall comprise not less than 20% of such distribution. In 2014 and 2015 and the nine months ended September 30, 2016, we distributed cash dividends of RMB305.0 million, RMB762.5 million and RMB3,965.0 million, respectively. In order to balance the interests of existing Shareholders and future holders of H Shares, the accumulated undistributed profit before the [REDACTED] will be attributable to our new and existing Shareholders upon the completion of the [REDACTED] of H Shares in proportion to their shareholding. Our historical dividend distributions may not be indicative of future dividend payments. See "*Financial Information—Dividend Policy*".

RISK FACTORS

There are risks involved in our operations and in connection with the [REDACTED], many of which are beyond our control. These risks can be categorized into (i) risks relating to macroeconomic environment and industry, (ii) risks relating to our business and operations, (iii) risks relating to legal, compliance and regulatory matters, and (iv) risks relating to the [REDACTED]. We believe our major risks include:

- General economic and market conditions could materially and adversely affect our business;

- The PRC securities industry is highly competitive;
- Changes which impact the competitive environment in the PRC securities industry may have a material and adverse effect on our business;
- We contributed capital to China Securities Finance in response to government measures for stabilizing the PRC stock market, which may increase our exposure to market and other risks.
- We are subject to extensive and evolving regulatory requirements; and
- We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

For further information relating to these and other risks relating to an investment in our H Shares, see "*Risk Factors*".

CONTRIBUTIONS TO DESIGNATED ACCOUNTS AT CHINA SECURITIES FINANCE AND OUR UNDERTAKING NOT TO REDUCE OUR NET TRADING POSITION

In 2015, the A share market experienced significant fluctuations, especially from mid-June to the end of August. In July 2015 and September 2015, respectively, we agreed to contribute funds to designated accounts set up by China Securities Finance for buying PRC blue chip ETFs, together with 20 and 49 other PRC securities companies, respectively, to stabilize the stock market and restore investor confidence. We have contributed to China Securities Finance twice with an aggregate amount of RMB17,014.0 million, representing 20% of the net assets of the Company as of July 31, 2015. As of December 31, 2015 and September 30, 2016, the fair value of our contribution to the designated account at China Securities Finance was RMB16,168.6 million and RMB15,403.9 million, respectively. Meanwhile, we have undertaken not to reduce our A share proprietary trading position below our balance as of July 3, 2015 if the SSE Composite Index is below 4,500. As of July 3, 2015 and September 30, 2016, the net position of our A share proprietary trading was RMB3,678.5 million and RMB4,977.2 million, respectively.

For details regarding our contributions to designated accounts at China Securities Finance and our undertaking not to reduce our net trading position, see "*Business—Our Principal Business Lines—Institutional Finance—Institutional Investor Services—Sales and Trading*" and "*Financial Information—Factors Affecting Our Results of Operations—Stabilization Measures in the PRC Stock Market*". Our contributions to designated accounts at China Securities Finance and our undertaking not to reduce our net trading position exposes us to additional market and other risks, see "*Risk Factors—Risks Relating to Macroeconomic Environment and Industry— We contributed capital to China Securities Finance in response to government measures for stabilizing the PRC stock market, which may increase our exposure to market and other risks.*"

REGULATORY MATTERS

We are subject to regulatory requirements and guidelines issued by the regulatory authorities and self-regulatory industry organizations in the PRC, Hong Kong and other jurisdictions where we operate. During the Track Record Period, we or our employees have, from time to time, been involved in incidents of regulatory non-compliance or incidents that led to the deduction of our regulatory points and received notices and warnings from, or have been fined by, the relevant regulatory authorities. However, these events have not materially and adversely affected our business or results of operations. In addition, the regulatory authorities and self-regulatory industry organizations carry out routine and ad hoc inspections, examinations and inquiries in respect of our compliance with the laws, regulations and guidelines applicable to our business. See "*Business—Legal and Regulatory*".

LISTING EXPENSES

Listing expenses represent underwriting commissions, professional fees and other fees incurred in connection with the [REDACTED]. We estimate that our listing expenses will be approximately RMB[REDACTED] million (assuming (i) an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range stated in this document) and (ii) the [REDACTED] is not exercised at all), of which approximately RMB[REDACTED] million is directly attributable to the issuance of our H Shares to the public and will be capitalized, and approximately RMB[REDACTED] million has been, or is expected to be expensed, in 2017. Our Directors do not expect such expenses to materially impact our results of operations in 2017.

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "strive," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include but not limited to the following:

- general political and economic conditions, including those related to the PRC;
- macro-economic measures adopted by the PRC government;
- changes in the global economic conditions and material volatility in the global financial markets;
- developments in the capital markets and future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- any changes in the laws, rules and regulations of relevant jurisdictions and in the rules, regulations and policies of relevant governmental authorities;
- our business prospects and ability to successfully implement our business plans and strategies;
- our financial condition and performance;
- our dividend policy;
- various business opportunities that we may pursue; and
- the actions and developments of our competitors.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these and/or other risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC, which has a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see "Appendix V—Regulatory Environment", "Appendix VI—Summary of Certain Legal and Regulatory Matters" and *"Appendix VII—Summary of Articles of Association".*

RISKS RELATING TO MACROECONOMIC ENVIRONMENT AND INDUSTRY

General economic and market conditions could materially and adversely affect our business.

Our business is affected by both long-term economic trends and short-term volatility caused by general economic conditions, including economic cycles, macroeconomic and monetary policies, inflation, interest rates levels, supply and costs of funding and currency fluctuations. The majority of our revenue is derived in China. As a result, any material and adverse changes in general economic conditions in China may have a material and adverse effect on our business, financial condition and results of operations.

Our results of operations are primarily affected by the volatility in the PRC securities markets. From mid-June to the end of August 2015, the PRC stock market experienced significant fluctuations. The CSI 300 Index decreased by 43.3%, from 5,335.1 as of June 12, 2015 to 3,025.7 as of August 26, 2015. In the first three quarters of 2016, the CSI 300 Index decreased by 6.2% from 3,469.1 as of January 4, 2016 to 3,253.3 as of September 30, 2016. The average daily trading volume of stocks and funds in China decreased by 46.2% from RMB1,089.7 billion during the first three quarters of 2015 to RMB586.5 billion during the first three quarters of 2016. As a result, our total revenue and other income decreased by 30.6% from RMB40,240.5 million during the first three quarters of 2015 to RMB27,912.3 million during the first three quarters of 2016.

In addition, during the Track Record Period, the proportion of our revenue from debt financing, bond investments, futures brokerage and derivative investments in our total revenue had been gradually increasing. As a result, any material and adverse changes in debt markets, futures markets and derivative markets may have a material and adverse effect on our business, financial condition and results of operations.

Significant interest rate fluctuations could affect our financial condition and results of operations.

Interest rate fluctuations primarily affect our interest income, fixed-income investments and interest expenses. We earn interest income primarily from margin financing and securities lending,

deposits in financial institutions and securities-backed financing. During periods of declining interest rates, our interest income would generally fall. In addition, we hold fixed-income investments. During periods of rising interest rates, market prices of, and our investment returns on, fixed-income securities would generally fall.

We also make interest payments on deposits we hold on behalf of our customers, short-term financing bills, corporate bonds and securities repurchase transactions, as well as subordinated bonds and other debt securities. These interest expenses are directly linked to the then prevailing market interest rates. During periods of rising interest rates, our interest expenses and financing costs would generally increase.

Significant interest rate fluctuations may reduce our interest income or returns on fixed-income investments, or increase our interest expenses, any of which could adversely affect our financial condition and results of operations.

Fluctuations in the exchange rate of Renminbi against other currencies could have a material and adverse effect on our financial condition and results of operations.

We generate most of our revenue in the PRC, and our functional currency is Renminbi. In addition, we are actively expanding our international business. A portion of our revenue, expenses and bank borrowings is denominated in Hong Kong dollars, U.S. dollars and other foreign currencies. As a result, fluctuations in exchange rates, particularly between the Renminbi on one hand, and Hong Kong dollar and U.S. dollar on the other hand, may affect the level of our profitability or result in foreign exchange losses on our foreign currency-denominated assets and liabilities.

The exchange rates of Renminbi against U.S. dollar and other currencies are affected by the political and economic environment in the PRC, the PRC government's fiscal and currency policies and international political and economic conditions. From January 2, 2014 to September 30, 2016, the exchange rate of Renminbi against U.S. dollar decreased by 8.67%. On October 1, 2016, Renminbi was added to the Special Drawing Rights basket of currencies by the International Monetary Fund, which may promote the PRC government to adopt a more flexible currency policies and may result in further appreciation or depreciation of Renminbi against U.S. dollar.

The PRC securities industry is highly competitive.

Our competitors may have certain competitive advantages over us, including more sufficient financial resources, stronger brand recognition, lower service fee rate, broader product and service offerings, a branch network with wider geographic coverage, larger client base and more operation experience. We face pressure to maintain and expand our client base and market share. We cannot assure you that we will be able to continue to maintain or grow our client base. If we are unable to maintain high quality services, maintain or reduce our service fee rate, or continue to introduce new products and services that address the needs of our clients, we may lose our existing clients or fail to attract new clients. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Changes which impact the competitive environment in the PRC securities industry may have a material and adverse effect on our business.

If the PRC government gradually deregulates the PRC securities industry, it may attract new competitors to the securities industry or allow our current competitors to expand their business scope into new business lines. The deregulation of the PRC securities industry could also attract more foreign financial institutions to enter the PRC market to conduct investment banking and other related businesses. These institutions are currently subject to PRC regulatory limitations and restrictions on their business activities.

In March 2015, the CSRC stated that it was evaluating a proposal to open up the PRC securities industry to other financial institutions such as commercial banks, but did not provide a timetable on when the new policy would be implemented. We believe that allowing PRC commercial banks to enter the securities industry will intensify market competition in securities brokerage, equity underwriting and other businesses, as commercial banks generally have greater financial resources, wider branch networks and larger client bases compared with securities companies.

In recent years, internet financial services companies have entered the PRC financial industry with large client bases and advantages in providing innovative services through the internet. Their services may be considered by our clients or potential clients as a favourable alternative for managing their funds or fulfilling their needs for investments.

Any of the above changes in the competitive environment in the PRC securities industry may increase the level of competition. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We contributed capital to China Securities Finance in response to government measures for stabilizing the PRC stock market, which may increase our exposure to market and other risks.

Due to the significant fluctuations in the A share market in 2015, the PRC government introduced measures to stabilize the market. As a result, we and 20 other major securities companies in the PRC issued a joint announcement on July 4, 2015, pursuant to which each securities company undertook that: (i) they would contribute an amount of no less than 15% of their net assets value as of June 30, 2015 to China Securities Finance for investment in the PRC blue chip ETFs; and (ii) they would not reduce the position of their A share proprietary trading portfolio to a level below the position as of July 3, 2015, if the SSE Composite Index is below 4,500. On September 1, 2015, we and 49 other securities companies decided to raise our total contribution to China Securities Finance to an amount of 20% of the respective net assets as of July 31, 2015. Our two contributions to China Securities Finance amounted to RMB17,014.0 million in the aggregate. These contributions are under the control of China Securities Finance through a designated account. We bear the risks and enjoy the gains in proportion to our contributions. Currently, we cannot control the way in which China Securities Finance uses our contributions and when we can redeem our contributions. We may incur losses due to the disposal or impairment of such contributions in the future, and our financial condition may

fluctuate due to the revaluation of our contributions at the end of a period, both of which may materially and adversely affect our results of operations and financial condition. Going forward, we may also incur additional losses from similar contributions that are required or decided to be made in response to government measures for stabilizing the PRC stock market during market fluctuations.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

Our investment banking business has a number of inherent risks which may reduce our underwriting and sponsorship fees, subject us to regulatory penalties and adversely affect our liquidity.

In 2014 and 2015 and the nine months ended September 30, 2016, the revenue of our investment banking business was RMB1,488.6 million, RMB3,002.1 million and RMB2,377.6 million, respectively, accounting for 6.1%, 5.8%, and 8.5% of our total revenue and other income, respectively. Our investment banking business may be materially and adversely affected by the following risks:

Uncertainty of regulatory approval. The offering of securities, especially IPOs, and certain types of M&A of listed companies, are subject to the review and approval by various regulatory authorities. The result and timing of these reviews and approvals are beyond our control, and may cause substantial delays to, or the termination of, the securities offerings underwritten by us or M&A advised upon by us. We cannot assure you that regulatory approvals for securities offerings or M&A will be granted in a timely manner or at all. For example, there was a short halt of approvals of A share IPOs by the CSRC in the second half of 2015, primarily due to market volatility. A significant decline in the approval rate of such transactions could reduce our revenue from investment banking business, as we normally receive most of our fees only after the completion of a transaction.

Risks in relation to sponsorship and underwriting and financial advisory. When acting as sponsors and underwriters in IPOs or financial advisors in M&A transactions we may be subject to domestic or overseas regulatory sanctions, fines, penalties, investor compensation or other disciplinary actions and other legal liabilities if our due diligence or our ongoing supervision is inadequate, or an issuer, its agents, other sponsors and underwriters or our employees commit fraud or misconduct, or there is a misstatement or omission in the disclosure documents, or there is another illegal or improper activity during the course of the sponsorship and underwriting or advisory process. See "*Business—Legal and Regulatory—Regulatory Non-compliance*".

Market conditions and hard underwriting. Unfavorable market conditions and capital markets volatility may cause delays to, or the termination of, initial public offerings or other securities offerings underwritten by us and M&A advised upon by us, or may generally result in fewer financing and M&A activities, which may in turn materially and adversely affect revenue from our investment banking business. In addition, if we enter into hard underwriting arrangements with our clients, we may be required to purchase the entire unsubscribed portion for our own account, which may materially and adversely affect our liquidity, or cause us to incur significant financial losses.

The performance of our sales and trading business is subject to a number of inherent uncertainties which may lead to a decrease in our investment returns or an investment loss.

In 2014 and 2015 and the nine months ended September 30, 2016, revenue from our sales and trading business amounted to RMB6,236.4 million, RMB9,167.2 million and RMB3,423.1 million, respectively, representing 25.6%, 17.6% and 12.3% of our total revenue and other income, respectively. Our sales and trading business, financial position and results of operations may be materially and adversely affected by the following risks:

Market volatility. We conduct trading activities in equity and fixed-income securities and market-making activities for our own account, which are subject to volatility in the securities markets. The results of our trading activities generally correlate with the performance of the PRC securities markets. In particular, due to the fluctuations in the A share market in the first three quarters of 2016, our revenue in such period from our sales and trading business decreased substantially compared to the same period in 2015.

Risks in relation to derivative financial instruments. The derivative financial instruments transactions we enter into include stock options, treasury futures and stock index futures. We generally use derivative financial instruments to hedge against the risk of price volatility in our investment portfolio or to adjust the risk exposure of our investment portfolio. However, currently, the types of financial investment products available in the PRC securities market remain limited which makes it difficult for us to fully hedge against fluctuations in the value of our investment portfolio. In addition, we are exposed to risks associated with derivatives contracts we enter into, which could result in losses. Since the derivative financial instruments markets in the PRC are developing, our experience in managing new products or trading derivative financial products may be inadequate and we may be subject to losses.

Regulatory limitations. Changes in securities-related regulations may lead to limitations on our trading activities. In particular, since September 2015, the regulators have raised margin requirements for stock index futures and treated opening daily positions of more than ten contracts by an investor on a single stock index future as "abnormal trading". The regulators have also increased the fees for settling positions. These measures discourage short-selling and block trading activities, which may materially and adversely affect our ability to hedge our proprietary trading positions.

Incorrect investment decisions and judgement. The performance of our sales and trading business is determined by our investment decisions and judgment based on our assessment of existing and future market conditions. If we make mistakes in our investment decisions, or the actual changes in market conditions differ from our projections, or the concentration risks resulting from our investment decisions, including risks from holding particular assets or asset classes, our sales and trading business may suffer and not achieve our anticipated investment returns.

We may not be able to maintain our brokerage fee for and commission income and interest income from our retail brokerage business.

In 2014 and 2015 and the nine months ended September 30, 2016, revenue from our retail brokerage business was RMB8,700.2 million, RMB23,561.7 million and RMB8,159.5 million, respectively, representing 35.7%, 45.2% and 29.2% of our total revenue and other income, respectively. Our retail brokerage business' financial position and results of operations may be materially and adversely affected by the following risks:

Volatility in market trading volumes. Due to the highly volatile market conditions in China during the first three quarters of 2016, the average daily trading volume of stocks and funds in the PRC decreased by 46.2% from RMB1,089.7 billion during the first three quarters of 2015 to RMB586.5 billion during the first three quarters of 2016. As a result, the trading volume of our stocks and funds brokerage in the PRC decreased by 60.3%, which resulted in a corresponding decrease in our fee and commission income from retail brokerage business in the first three quarters of 2016 compared to the same period in 2015.

Decrease in brokerage trading commission rates. The downward trend of brokerage trading commission rates could materially and adversely affect our retail brokerage business. In 2014, 2015 and the nine months ended September 30, 2016, our average stocks and funds brokerage net commission rate in China was 7.18bps, 5.78bps and 4.72bps, respectively. Some of our competitors have actively promoted their online brokerage services and continued to lower their retail brokerage commission rates in recent years. If more competitors expand their online brokerage businesses, retail brokerage commission rates in the industry will likely further decrease.

Increase in supply of securities brokerage services. The securities brokerage industry in China is highly competitive. During the Track Record Period, the number of securities branches in China increased significantly from 5,785 as of January 1, 2014 to 8,861 as of September 30, 2016. In addition, in April 2015, China Securities Depository and Clearing Corporation Limited revoked the long-standing "one investor one account" restriction for PRC investors and allowed an individual to open up to 20 securities accounts with different PRC securities companies. Although such policy was revised from 20 securities accounts to three securities accounts in October 2016, we cannot assure you that such limitation will not be lifted in the future. The changes in the number of permissible securities accounts held by investors may lead to a decrease in the number of clients who use our brokerage services and/or the volume of trades by such clients, which pose a significant challenge for us to retain existing clients and attract new clients.

A significant decrease in our AUM or management fee rate, or unsatisfactory investment performance, may materially and adversely affect our asset management business.

We receive asset management fees based on the size of each asset management scheme under our management. In addition, we may earn performance fees for certain asset management schemes. Investment performance affects our AUM, and is one of the most important factors in attracting our clients and competing for new asset management business. Limited investment options and hedging strategies as well as high market volatility in the PRC, could adversely affect our ability to provide stable returns for our clients, which in turn affect our ability to retain them.

Our asset management fees or market share may decrease due to the increased competition from other securities companies, fund management companies, insurance companies, trust companies, commercial banks and other financial institutions in China. In addition, the recent introduction of Mainland-Hong Kong Mutual Recognition of Funds will allow approved fund products to be offered abroad, which in turn may increase competition. Market volatility, adverse economic conditions, or our failure to outperform our competitors or the market in terms of investments returns, may reduce our AUM or affect the performance of the assets or funds we manage, which could adversely affect the amount of management or performance fees we receive.

We may fail to realize returns from our principal investments, or lose part or all of our investments.

Our principal investment business generally involves investments in private companies and in private equity funds with our own funds. We and our private equity funds aim to earn returns from dividends paid by portfolio companies and the listing or the disposal of portfolio companies. We may fail to identify fraudulent, inaccurate or misleading information about a target company in the course of our due diligence, which may cause us to make unsound investment decisions or overvalue the target company. Material and adverse changes in the target company's industry, business and financial condition after the completion of the investment could negatively affect our investment return. Market volatility may also materially and adversely affect the equity investments made by our private equity funds.

Our portfolio companies may take longer than expected to become suitable for a listing or sale. Failure to list or sell our portfolio companies for any reason may adversely affect the value of our investment. If we cannot exit our private equity investments in the anticipated period or at acceptable prices, we will not be able to achieve our expected investment returns.

We and our private equity funds have limited control over our portfolio companies. Those companies may make business, financial or management decisions with which we do not agree, which may subject us to further risks. Furthermore, our portfolio companies may fail to abide by their agreements with us, for which we have limited or no recourse. Any of the foregoing incidents could significantly reduce the value of our investments and adversely affect our financial condition and results of operations.

We may suffer significant losses from credit exposures from our clients and counterparties.

Our margin financing and securities lending business, securities-backed financing business, derivatives and commodities brokerage business, sales and trading business and derivative contracts are subject to the risk that a client or counterparty may fail to perform its payment or other obligations or that the value of any collateral held by us to secure the obligations might become inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect our financial condition, results of operations and cash flows.

Our failure to identify and disclose the risks inherent in the financial products we distribute may have an adverse effect on our reputation, client relationships, business and prospects.

In addition to our own financial products, we also distribute financial products developed by third-party financial institutions, such as fund management companies, trust companies and commercial banks. These financial products, such as trust schemes and structured products, may have complex structures and involve various risks, including credit, interest, liquidity and other risks. Our risk management policies and procedures may not be fully effective in identifying the risks inherent in these financial products, and our sales employees may fail to fully disclose such risks to our customers. These factors may cause our clients to suffer significant losses as a result of their investment in financial products that are too risky for their risk tolerance and investment preferences. This may subject us to regulatory measures and fines, client complaints and litigations, which in turn could harm our reputation, client relationships, business and prospects.

The expansion of our international business may not produce the intended results.

We conduct brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments in Hong Kong, primarily through Guotai Junan International. According to our business strategies, we expect to further expand our international business, which may expose us to additional risks, including:

- difficulties in managing international operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licenses;

- challenges in providing products, services and support, in recruiting in these overseas markets, and in managing the sales channels and overseas distribution networks effectively;

- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;

- inability to effectively enforce contractual or legal rights; and

- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If we are unable to effectively manage these risks, our ability to expand our international business will be impaired, which could have a material and adverse effect on our business, financial condition and results of operations.

We face additional risks as we expand our product and service offerings.

We are committed to expanding our product and service offerings. The new products and services may expose us to stricter regulatory scrutiny as well as additional license and approval requirements. Our clients or potential clients may not be receptive to our new product and service offerings. In addition, we may have insufficient resources to handle the additional challenges brought by the new products and services in relation to (i) experience or expertise, (ii) qualified personnel, (iii) funding and (iv) risk management capabilities.

If we are unable to achieve the intended results with respect to our offering of new products and services, our business, financial condition and results of operations could be materially and adversely affected.

Our business might be affected by the operational failure of our employees.

We face the risk of the operational failure of our employees. We were not subject to any material operational failure during the Track Record Period. However, any future operational failure of employees or any termination of employment relationship in relation to operational failure could adversely affect our business and reputation, as well as our ability to execute transactions, service our clients and manage our exposure to various risks.

Our risk management policies as well as internal control systems and procedures may not fully protect us against our risk exposure.

We have established risk management policies as well as internal control systems and procedures to manage risk exposure. Such policies, systems and procedures may not cover all the risks that we are exposed to. In addition, any deficiency in our policies, systems and procedures may adversely affect our ability to accurately and timely record, process, summarize and report financial and other data or identify any non-compliance with laws and regulations.

Some aspects of such policies, systems and procedures may require continuous monitoring, maintenance and improvement by our senior management and staff. Despite our efforts to implement risk management policies and internal control systems, we may not be able to fully prevent or timely identify the occurrence of any non-compliance incident. Our businesses and prospects could be adversely affected if our efforts to apply, maintain and improve these policies, systems and procedures are ineffective or inadequate.

Our business may be materially and adversely affected if we are unable to retain or hire management team members and professional personnel.

We need to ensure the continuity of our management team as well as attract and retain professional personnel who possess in-depth knowledge in and understanding of the securities and financial markets. If we lose any of our management team members or fail to attract and retain professional personnel, we may not be able to execute our existing business strategies effectively or deliver excellent services to our clients. These professional personnel include experienced investment and trading managers, sponsor representatives, risk management officers, research analysts and IT

specialists. However, the market for quality professionals is increasingly competitive, which may require us to offer more competitive compensation and other benefits. If we fail to attract or retain our management team members or professional personnel, our business, reputation, financial condition and results of operations could be materially and adversely affected.

We rely on IT systems to deliver our services to the clients and form business decisions.

Our operations rely heavily on our IT systems to timely record and accurately process a large number of transactions across numerous markets and different business segments. A disruption to, failure of, or error in our information processing or communications systems may limit our ability to timely and accurately process transactions. This would also impair our ability to execute trades on behalf of clients and for our own account, particularly in our retail brokerage and prime brokerage businesses, which could materially and adversely affect our business, reputation, financial condition and results of operations.

We make many important business decisions, including those relating to brokerage fee rates, branch locations, investment portfolios, marketing of investment or financing products and new product designs based on information collected and analysed by our IT systems. Any error or flaw in our IT systems may cause our business decisions being made with inaccurate, incomplete or misleading information, which may have a material and adverse effect on our business, financial condition and results of operations.

Negative net cash flows from operating activities may materially and adversely affect our liquidity and financial condition.

We had negative net cash flows from operating activities of RMB19,601.9 million and RMB12,624.4 million in 2015 and the nine months ended September 30, 2016, respectively. See "*Financial Information — Cash Flows — Operating Activities*". We cannot assure you that we will be able to generate positive net cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

A significant decrease in our liquidity could adversely affect our business and reduce client confidence in us.

Maintaining adequate liquidity is crucial to our business operations as we continue to expand our margin financing and securities lending, securities-backed financing, sales and trading, investment banking and other business activities with substantial cash requirements. We meet our liquidity needs primarily through cash generated from operating activities and debt financing. Reduced liquidity could affect our ability to develop our business, reduce the confidence of our clients or counterparties in us, and result in a loss of businesses and customer accounts.

In addition, the CSRC and the Securities Association of China impose regulatory requirements on PRC securities companies' liquidity-related ratios. See "*Appendix V—Regulatory Environment*". Failure to comply with these requirements may result in the CSRC and the Securities Association of China imposing penalties on us, or taking disciplinary actions against us, which could, in turn, have a material and adverse effect on our financial condition and results of operations.

Factors that may adversely affect our liquidity position include a significant increase in capital requirements for our intermediary businesses, more stringent regulatory requirements for capital, substantial investments, loss of market or client confidence, and other regulatory changes. When cash generated from our operating activities is not sufficient to meet our liquidity or regulatory capital needs, we must seek external financing. When the conditions in the credit and capital markets are not favorable or there are changes in the regulatory environment, potential sources of external financing could be limited, and our borrowing costs could increase and financing may not be available on terms acceptable to us or at all.

If we pursue acquisitions or establish joint ventures that present unforeseen integration difficulties or costs, we may not enhance our business as we expect.

We have in the past pursued acquisitions or established joint ventures, aimed at developing our expertise in specific areas and expanding the scope and scale of our business. See "*History and Corporate Structure — Major Restructurings, Acquisitions and Disposals*" for our material acquisitions and see note 27 of "*Appendix I— Accountants' Report*" for a list of our joint ventures. Acquisitions or the establishment of joint ventures involve a number of risks and present financial, managerial and operational challenges. Such challenges include potential disruption to our ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increased complexity arising from the scope and geographic diversity of our business operations. We may not be able to realize any anticipated benefits or achieve the synergies we expect from these acquisitions or joint ventures. Our clients may react unfavorably to our strategies for acquisition or establishment of joint ventures, and we may incur additional liabilities due to acquisitions and the establishment of joint ventures.

A failure to identify and address conflicts of interest appropriately could adversely affect our business.

As we continue to expand our business scope and client base, it is critical for us to be able to properly identify and address potential conflicts of interest, including situations where two or more interests within our business legitimately exist but are in competition or conflict. Appropriately identifying and dealing with potential conflicts of interest is difficult. Any failure to manage conflicts of interest could harm our reputation and erode client confidence in us. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory measures. Any of the foregoing could adversely affect our business, financial condition and results of operations.

We have not obtained title certificates to some of the properties we own and some of our lessors lack, or have not presented to us, appropriate title certificates for the properties we lease from them, which may materially and adversely affect our right to use such properties.

As of November 30, 2016, we owned 203 properties in the PRC with an aggregate gross floor area of 140,957.6 square meters, including 98 operating properties with a gross floor area of 123,401.5 square meters. We have not obtained proper building ownership certificates and/or land use rights certificates for 8 operating properties with a gross floor area of approximately 18,529.9 square meters, representing 13.1% of the aggregate gross floor area of properties we own. We have not obtained building ownership certificates for 55 non-operating properties with a gross floor area of approximately 10,959.3 square meters, representing 7.8% of the aggregate gross floor area of properties we own.

As of the same date, we leased 498 properties in the PRC with an aggregate gross floor area of 331,742.3 square meters. We use these leased properties primarily for our offices and securities branches. Among these 498 properties, our landlords have not provided us with the building ownership certificates or other ownership documents for 53 properties with a gross floor area of approximately 27,330.3 square meters, representing approximately 8.2% of the aggregate gross floor area of the properties we lease. In addition, the usage of a minority portion of properties we leased were not consistent with the usage of buildings as set out in the building ownership certificates of such properties with a gross floor area of approximately 5,870.4 square meters, representing approximately 1.8% of the aggregate gross floor area of the properties we lease. See "*Business—Properties*".

We are requiring our landlords to provide and/or obtain proof of title or to obtain the title certificates for the 53 leased properties referred to above but the timing for obtaining such relevant certificates is beyond our control. If our landlords do not have or obtain the proper building ownership certificates and/or the land use rights certificates for such properties, our rights in relation to such properties might not be entirely protected.

Any claim or dispute related to the title of the properties owned or leased by us may result in the relocation of our operating premises and offices. We cannot guarantee that the legality of our use and occupation of the relevant land and buildings will not be challenged, or that we will be able to secure alternative properties for our business if we are required to relocate. If we or our landlords cannot obtain the relevant building ownership certificates and land use rights certificates in a timely manner and our legal right to use or occupy the relevant properties is challenged, we may have to find alternative properties, incur additional relocation costs, or our business operations may be disrupted, any of which may have a material and adverse effect on our business, financial condition and results of operations.

Our Controlling Shareholder is able to exercise significant influence over us and its interests may not align with those of our other Shareholders.

Immediately after completion of the [REDACTED], International Group will hold approximately [REDACTED]% of our Shares in issue, assuming that the [REDACTED] is not exercised. International Group will remain as our Controlling Shareholder, and it will have the ability to exercise significant influence over us, including but not limited to, matters relating to:

- the nomination and election of our Directors and Supervisors;
- business strategies;
- dividend and other distributions; and
- major corporate activities, including securities offerings, M&As or investments.

Although International Group has undertaken to us that it will not prejudice the interests of the Company or our other shareholders by taking advantage of its position as our Controlling Shareholder, it has substantial influence over us and its interests may not align with that of our other Shareholders.

The use of "Guotai Junan" as a trade name by Guotai Junan IM may expose us to reputational risks if it takes actions that damage the "Guotai Junan" brand name.

Guotai Junan IM was spun off from the Company in 2001. As of the Latest Practicable Date, we had no equity interest in Guotai Junan IM, but International Group, our Controlling Shareholder, indirectly held 33.18% of equity interest in Guotai Junan IM. See "*Relationship with Controlling Shareholder — Other companies of which International Group is a substantial shareholder with business similar to some business lines of the Group*."

"Guotai Junan" is one of our registered trademarks in China. It is approved to be used for securities and bonds brokerage, stock exchange quotations, futures brokerage, capital investment, fund investment, financial information, issuance of securities, financial services, financial analysis and financial evaluation. Although Guotai Junan IM also uses "Guotai Junan" as part of its registered company name, it does not own any trademark rights in respect of "Guotai Junan".

The business scope of Guotai Junan IM includes asset management, enterprise investment and enterprise advisory, which significantly differs from our main businesses where we use the "Guotai Junan" trademark. However, given that Guotai Junan IM uses "Guotai Junan" in its company name for purpose of the same or similar services with our businesses, it may create confusion among the relevant public, and may infringe our exclusive trademark right. In addition, if Guotai Junan IM takes any action that damages the "Guotai Junan" brand name, or any material and adverse publicity is associated with Guotai Junan IM, our reputation, business, growth prospects, results of operations and financial condition may be adversely affected.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases, wars or terrorist activities in the PRC may have a material and adverse effect on our business, financial condition and results of operations.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases, wars or terrorist activities in the PRC may severely disrupt our business, and materially and adversely affect our financial condition and results of operations. An outbreak of a health epidemic or contagious disease could cause a widespread health crisis and harm business activities in affected areas, which could in turn severely disrupt our operations. The future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, or measures taken by the PRC government or other countries in response to such outbreaks of health epidemics and contagious diseases, wars or terrorist activities may also seriously interrupt our operations or those of our clients and counterparties, which could have a material and adverse effect on our financial condition and results of operations.

RISKS RELATING TO LEGAL, COMPLIANCE AND REGULATORY MATTERS

We are subject to extensive and evolving regulatory requirements.

As a financial institution, we are subject to extensive regulatory requirements. Regulatory authorities regulate our business activities by imposing capital requirements, determining the types of products and services we may offer, and limiting the types of securities we may invest in. They also conduct periodic inspections, examinations and inquiries with respect to our compliance with relevant regulatory requirements. Failure to comply with the applicable regulatory requirements could result in sanctions, fines and penalties, and limitations on our business activities. Other disciplinary actions may include a downgrade of our regulatory rating, which may cause us to be subject to a higher risk capital reserve ratio, a higher ratio for our securities investor protection fund, limitations on our innovation in business activities, and loss of important clients or business qualifications. For a discussion on certain non-compliance incidents, regulatory investigations, and warnings or penalties from the relevant regulatory authorities, which we or our employees were involved in during the Track Record Period, see "*Business—Legal and Regulatory—Regulatory Non-compliance*".

Moreover, relevant rules and regulations could be revised from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of existing rules and regulations, may directly impact our business strategies and prospects. In addition, changes in the rules and regulations could result in limitations on our business scope, changes to our business practices or additional costs or taxes, which may adversely affect our ability to compete effectively with other institutions that are not affected in the same way.

We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

We face substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to sales or underwriting practices, trademarks, product design, fraud and misconduct, as well as protection of personal and confidential information of our customers. We may also be subject to inquiries, inspections, investigations, and proceedings by regulatory and other governmental agencies. See "*Business—Legal and Regulatory*".

Litigation, arbitration, regulatory investigations and other proceedings brought against us, our Directors, management or employees may result in settlements, injunctions, fines, penalties or other results adverse to us, including damage to our reputation and disruption to our business. Any of these results may have a material and adverse effect on our business, financial condition, results of operations and prospects. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant.

We may not be able to prevent or detect fraud or other misconduct committed by our employees, agents, customers or other third parties.

We are exposed to fraud or other misconduct committed by our employees, agents, customers or other third parties that could subject us to financial losses and regulatory sanctions, and adversely affect our reputation.

Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents or suspicious transactions in a timely manner or at all. See "*Business—Legal and Regulatory—Regulatory Non-compliance*". In addition, it is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. Our failure to prevent or detect fraud and other misconduct may have a material and adverse effect on our business, reputation, financial condition and results of operations.

We may fail to detect money laundering and other illegal or improper activities in our business operations on a timely basis.

We are required to comply with applicable anti-money laundering and anti-terrorism laws and regulations in the jurisdictions where we operate. These laws and regulations require us to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting obligations. We are also required to perform "Know Your Client" procedures and to monitor transactions for suspicious activity. Although we have adopted relevant policies and procedures, they may not be comprehensive and completely eliminate instances in which we may be used by other parties to engage in money laundering, sanctioned activities and other illegal or improper activities. In the past, certain on-site inspections conducted by the regulators have revealed that we had insufficient internal monitoring in certain aspects of the anti-money laundering internal control system and inadequate anti-money laundering training at certain branches. See "*Business—Legal and Regulatory—Regulatory Inspections*". In the event that we fail to fully comply with applicable laws

and regulations, the relevant government agencies may freeze our assets or impose fines or other penalties on us. There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may materially and adversely affect our business reputation, financial condition and results of operations.

Investors may experience difficulties in effecting service of process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC, and a substantial majority of our assets and subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and management reside within the PRC, and the assets of most of our Directors, Supervisors and management are likely to be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and management, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with the United States, the United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States, the United Kingdom, Japan or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

You may be subject to PRC taxation on dividends received from us or on gains from the sale or other disposition of H Shares.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares ("non-PRC resident individual holders") are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular of the SAT on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, dependent on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. For additional information, see "*Appendix IV—Taxation and Foreign Exchange—PRC Taxation*".

In addition, under the Individual Income Tax Law of the PRC and its implementation regulations, individuals are subject to individual income tax at the rate of 20% on gains from sales of equity interests in PRC resident enterprises. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. To our knowledge, as of the Latest

Practicable Date, in practice the PRC tax authorities do not collect income tax on the sale or disposal of shares listed on overseas stock exchanges in PRC resident enterprises by non-PRC resident individuals. If such tax is collected in the future, the value of such individual shareholders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897), promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. See "*Appendix IV—Taxation and Foreign Exchange—PRC Taxation*". There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation regulations by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon the sale or disposal of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

Government control of currency conversion may adversely affect the value of your investments.

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Currently, Renminbi is not a totally freely convertible currency. Under the current PRC foreign exchange control system, we can pay dividends in foreign currency without prior approval by the SAFE.

However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, we might not be able to pay dividends to the holders of the [REDACTED] in foreign currencies. In addition, some foreign exchange transactions under capital accounts in the PRC are still subject to the approval of the SAFE. We cannot assure you that we will be able to obtain the relevant approvals in a timely manner, or at all. These foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an effect on our foreign exchange transactions and the fulfillment of our other foreign exchange requirements.

Our equity financing options may be limited due to CSRC requirements on foreign shareholdings in a listed PRC securities company.

According to Article 25 of Rules for Establishment of Foreign-invested Securities Companies prescribed by the CSRC, the aggregate of direct holdings and/or indirect control in the equity interests of a listed PRC-incorporated securities company by all foreign investors shall not exceed 25% of its total share capital. Taking into account (a) the size of the [REDACTED] (including the exercise of the [REDACTED]) and (b) the Trading Link of our A Shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect, the QFII schemes or other channels, our ability to further issue H Shares, other foreign equity or equity-linked securities may be restricted by the 25% foreign ownership limit unless (i) the relevant regulatory requirements are lifted or we are able to obtain a waiver from the regulatory authorities from strict compliance with the foreign ownership limit and/or (ii) we issue additional A Shares on the Shanghai Stock Exchange.

Our substantial amounts of deferred tax assets and financial assets are subject to the uncertainties of accounting estimates.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. See note 4 of "*Appendix I—Accountants' Report*". We believe that the substantial amounts of our deferred tax assets and financial assets are subject to the uncertainties of accounting estimates and therefore warrant particular attention.

Our deferred tax assets was RMB127.3 million, RMB218.1 million and RMB732.6 million as of December 31, 2014 and 2015, and September 30, 2016, respectively. Based on our accounting policies, deferred tax assets are recognized where there are timing differences between the carrying amount of assets for financial reporting purpose and the amounts used for taxation purposes. The realization of a deferred tax asset mainly depends on our management's judgment as to whether sufficient profits or taxable temporary differences will be available in the future. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. If sufficient profits or taxable temporary differences are not expected to be generated, our deferred tax assets would be impaired.

For financial reporting purposes, we categorize fair value measurements of financial assets and liabilities into level 1, level 2 or level 3, based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement. As of December 31, 2015 and September 30, 2016, we had RMB71.0 billion and RMB77.1 billion of level 2 financial assets, respectively. Compared to level 1 financial assets, level 2 financial assets are not quoted in an active market, and we use valuation techniques to estimate the fair value of these assets. When estimating fair value using these valuation techniques, we consider observable inputs and market data, such as the yield curve of interest rate products and foreign exchange rates, among other

things. Changes in these factors will affect the estimated fair value of our level 2 financial assets and therefore these assets will face uncertainty in accounting estimation. As of December 31, 2015 and September 30, 2016, we had RMB2.4 billion and RMB3.9 billion of level 3 financial assets, respectively, the scale of which is much smaller than level 2 financial assets.

The application of IFRS 9 and its amendments in the future will affect the classification and measurement of our financial assets.

The International Accounting Standards Board, or IASB, which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments in November 2009, October 2010 and July 2014, which will take effect on January 1, 2018 and replace IAS 39, and give rise to substantial changes in the classification and measurement of financial assets. The application of IFRS 9 will affect the classification and measurement of our financial assets in various aspects, including the classification and measurement of recognized financial assets, impairment of financial assets based on an expected credit loss model, and greater flexibility regarding the types of transactions eligible for hedge accounting. The major differences between IFRS 9 and IAS 39 are: firstly, in respect of the classification and measurement of financial assets, the classification of financial assets under IFRS 9 will require us to consider the business model and the contractual cash flow characteristics of financial assets in determining the classification and subsequent measurement of debt instruments; secondly, in respect of impairment, we will be required to apply a new expected credit loss model for debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables as well as loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss, which uses more forward-looking information and does not use the existence of an objective evidence of impairment as a precondition for recognizing impairment losses. Our Directors anticipate that it is not practicable to reasonably estimate or quantify the effect on our results of operations and financial position until we make a detailed assessment as the new standard requires changes to systems and processes to collect necessary data. Any change to our current practice in the future in accordance with IFRS 9 and its amendments, and any other future amendments to IAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, may materially affect our financial condition and results of operations.

Investments in PRC securities companies are subject to ownership restrictions that may adversely affect the value of your investment.

Investments in PRC securities companies are subject to ownership restrictions. Prior approval from the CSRC is required for any person or entity to hold, directly or indirectly, 5.0% or more of the registered capital or total issued shares of a PRC securities company. If a shareholder of a PRC securities company holds or actually controls 5.0% or more of the shares without obtaining prior approval from the CSRC, the corresponding shares do not have voting rights, and the shareholder could be subject to CSRC sanctions, such as the correction of such misconduct, fines and confiscation of any related gains. In addition, our Articles of Association prohibit any entity or individual from directly or indirectly holding more than 5.0% equity interest in the Company without the approval of

the CSRC. If any violation is not rectified in a timely manner, Shareholders holding the corresponding shares shall not exercise any voting rights during the period of violation. Current ownership restrictions and future changes in ownership restrictions as imposed by the PRC government and our Articles of Association may materially and adversely affect the value of your investment.

RISKS RELATING TO THE [REDACTED]

Our A Shares were listed in China in 2015, and the characteristics of the A share and H share markets may differ.

Our A Shares were listed on the Shanghai Stock Exchange in June 2015. Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current PRC laws and regulations, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share markets. With different trading characteristics, the H share and A share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H share and A share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the previous trading history of our A Shares when evaluating an [REDACTED] in our H Shares.

An active trading market for our H Shares may not develop.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (on behalf of the [REDACTED]) and us, and may not be indicative of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy for products or services as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, the removal of the restrictions on H share transactions or volatility in market prices and demand for our products, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade. In

addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

Since there will be a gap of several days between the pricing and trading of the [REDACTED], holders of the [REDACTED] are subject to the risk that the price of the [REDACTED] could fall during the period before the trading of the [REDACTED] begins.

The [REDACTED] of the H Shares is expected to be determined on the [REDACTED]. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be [five] Hong Kong business days after the [REDACTED]. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse effects, that could occur between the time of sale and the time trading begins.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H shares or other securities relating to our H shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Our A Shares can be converted into H Shares if the conversion and trading of the H Shares is duly completed pursuant to the requisite approval process and the approval from the relevant PRC regulatory authorities, including the CSRC, is obtained. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the regulations, requirements and procedures of the Hong Kong Stock Exchange. If a significant number of A Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could have a material and adverse effect on the prevailing market price for our H Shares.

As the [REDACTED] of our H Shares is higher than our consolidated net tangible assets book value per share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] will experience an immediate dilution in pro forma adjusted consolidated net tangible assets of HK$[●] per

H Share (assuming an [REDACTED] of HK$[REDACTED] per H Share, being the mid-point of the stated [REDACTED] range, and assuming the [REDACTED] for the [REDACTED] is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the [REDACTED] exercise the [REDACTED] or if we issue additional shares in the future to raise additional capital.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

In 2014 and 2015 and the nine months ended September 30, 2016, we distributed dividends of RMB305.0 million, RMB762.5 million and RMB3,965.0 million, respectively. Under our Articles of Association, dividends may be paid only out of distributable profits. Distributable profits means, as determined under CAS or IFRSs, whichever is lower, our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less statutory reserve fund (determined under CAS), appropriations to general risk reserve, transaction risk reserve, and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions to our shareholders, even if our financial statements prepared in accordance with CAS or IFRSs indicate that our operations have been profitable.

Furthermore, future dividend policies will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that our dividend policies will not be changed in the future.

Waivers were granted from compliance with certain requirements of the Hong Kong Listing Rules by the Hong Kong Stock Exchange. Shareholders will not have the benefit of the Hong Kong Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted to us, a number of waivers from strict compliance with the Hong Kong Listing Rules. See "*Waivers from Strict Compliance with the Hong Kong Listing Rules*" for further details. We cannot assure you that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs, and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Withholding tax may be imposed on payments on the H Shares.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a foreign financial institution (an "***FFI***") may be required to withhold on "foreign passthru payments" it makes after the later of January 1, 2019 or the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published in the U.S. Federal Register to (i) other FFIs that are not exempt from or in actual or deemed

compliance with FATCA or (ii) account holders of such FFIs that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions have entered into, or have agreed in substance to enter into, intergovernmental agreements with the United States to implement under the domestic laws of such jurisdiction an alternative information reporting and exchange regime applicable to FFIs (or FFI branches) operating in such jurisdiction ("IGAs"). Under the provisions of IGAs as currently in effect, an FFI (or branch) operating in an IGA jurisdiction is generally not required to withhold from payments that it makes if the FFI complies with the reporting requirements of the IGA.

The United States and Hong Kong have entered into an IGA, and the United States and the PRC have agreed in substance to enter into an IGA that the United States treats as in force pending finalization of a formal IGA. We and each of our subsidiaries intend to comply with FATCA and any applicable IGA, including the information reporting requirements related to our accountholders and investors. If the United States and the PRC ultimately fail to reach a final agreement on the terms of an IGA, then the FATCA reporting and withholding regime applicable to FFIs in non-IGA jurisdictions would apply to us and any of our subsidiaries that are FFIs. Certain aspects of the application of the FATCA provisions and IGAs to financial instruments such as the H Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on financial instruments such as the H Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on financial instruments such as the H Shares, such withholding would not apply prior to the time specified in the paragraph above. You should consult your own tax advisors regarding how these rules may apply to your [REDACTED] in the H Shares. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on financial instruments such as the H Shares, no person will be required to pay additional amounts as a result of the withholding. See "*Appendix V — Regulatory Environment—The U.S. Foreign Account Tax Compliance Act ("FATCA")*".

Certain facts and statistics derived from government and third-party sources contained in this document may not be reliable.

We have derived certain facts and other statistics in this document, particularly those relating to the PRC, the PRC economy and the PRC securities industry, from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED] or any of our or their respective affiliates or advisors and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections headed "*Risk Factors*," "*Industry Overview*" and "*Business*." Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we publicly release information relating to ourselves on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to the [REDACTED]. Such information does not and will not form a part of this document. As a result, prospective investors in our [REDACTED] are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document and the [REDACTED]. By [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the [REDACTED].

Prior to the publication of this document, there had been press and media coverage regarding us and the [REDACTED], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only, and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In preparation for the [REDACTED], we have applied to the Hong Kong Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Hong Kong Listing Rules, all applicants applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of the applicant's executive directors must be ordinarily resident in Hong Kong.

The Company's business operations are primarily located in the PRC and the vast majority of the Company's assets are located in the PRC. The Company's executive Directors are based in the PRC as the Board believes it is more effective and efficient for its executive Directors to be based in a location where our substantial operations are located. The Company therefore does not, and in the foreseeable future will not, maintain management presence in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules, provided that the Company implements the following arrangements:

(i) We have appointed Mr. Yang Dehong and Mr. Yu Jian as the authorized representatives for the purpose of Rule 3.05 of the Hong Kong Listing Rules. They will serve as the principal channel of communication with the Hong Kong Stock Exchange and make themselves readily available to communicate with the Hong Kong Stock Exchange. They can be readily contactable by phone, fax and email to deal promptly with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. The contact details of our authorized representatives have been provided to the Hong Kong Stock Exchange.

(ii) All Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period. In addition, each Director has provided his/her contact details, including mobile phone numbers, office phone numbers, email addresses and fax numbers, to the authorized representatives and to the Hong Kong Stock Exchange. In the event that a Director expects to be travelling or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation or other contact information to the authorized representatives, to ensure that each of the authorized representatives will be able to contact all the Directors promptly at all times if and when the Hong Kong Stock Exchange wishes to contact the Directors.

(iii) We have appointed Guotai Junan Capital Limited and Huarong International Capital Limited as our joint compliance advisors in accordance with Rule 3A.19 of the Hong Kong

Listing Rules, which will serve as additional and alternative channels of communication with the Hong Kong Stock Exchange in addition to our authorized representatives. The joint compliance advisors will have reasonable access, at all times during the term of their appointment, to our authorized representatives, Directors and other officers of the Company, participate in the communication between the Hong Kong Stock Exchange and the Company and answer inquiries from the Hong Kong Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules, we must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience, and is therefore capable to discharge the functions of the company secretary. Note 1 to Rule 3.28 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of the Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules further sets out the factors that the Hong Kong Stock Exchange will consider in assessing an individual's "relevant experience":

(i) length of employment with the issuer and other issuers and the roles he/she has undertaken;

(ii) familiarity with the Hong Kong Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and

(iv) professional qualifications in other jurisdictions.

The Company has appointed Mr. Yu Jian as one of the joint company secretaries. He has extensive experience in corporate governance matters, corporate secretarial affairs and is the secretary to the Board. However, Mr. Yu does not possess the qualifications under Rule 3.28 of the Hong Kong Listing Rules, and may not be able to fulfill the requirements of the Hong Kong Listing Rules on his own. Therefore, we have appointed Ms. Kwong Yin Ping Yvonne, a fellow member of the Hong Kong

Institute of Chartered Secretaries, who is qualified under Rule 3.28 of the Hong Kong Listing Rules to act as the other joint company secretary and to work closely with and provide assistance to Mr. Yu. The term of the appointment of Mr. Yu and Ms. Kwong as the joint company secretaries is three years commencing from the [REDACTED].

The following arrangements have been, or will be, put in place to assist Mr. Yu Jian in acquiring the qualifications and experience as the company secretary of the Company required under Rule 3.28 of the Hong Kong Listing Rules:

(i) In the course of the preparation of the application for the Listing, Mr. Yu has been provided with a memorandum and has attended a training seminar on the respective obligations of the Directors and senior management and the Company under the relevant Hong Kong laws and the Hong Kong Listing Rules provided by the Company's Hong Kong legal advisor.

(ii) In addition to the minimum training requirements under Rule 3.29 of the Hong Kong Listing Rules, the Company will ensure that Mr. Yu continues to have access to relevant training and support to familiarize himself with the Hong Kong Listing Rules and the duties of a company secretary of an issuer listed on the Hong Kong Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Hong Kong Listing Rules. Furthermore, the Company will ensure that both Mr. Yu and Ms. Kwong will seek and have access to the advice from the Company's Hong Kong legal advisor and other professional advisors as and when required.

(iii) Ms. Kwong will assist Mr. Yu to acquire the "relevant experience" as required under Note 2 to Rule 3.28 of the Hong Kong Listing Rules and to discharge his duties as a company secretary. Mr. Yu will be assisted by Ms. Kwong for an initial period of three years commencing from the [REDACTED]. As part of the arrangement, Ms. Kwong will act as one of the joint company secretaries and communicate regularly with Mr. Yu on matters relating to corporate governance, the Hong Kong Listing Rules as well as other laws and regulations which are relevant to the Company. She will also assist Mr. Yu in organizing Board meetings and Shareholders' meetings as well as other matters of the Company which are incidental to the duties of a company secretary.

(iv) The Company has appointed the joint compliance advisors pursuant to Rule 3A.19 of the Hong Kong Listing Rules, which will act as our additional channel of communication with the Hong Kong Stock Exchange and provide professional guidance and advice to us and our joint company secretaries as to compliance with the Hong Kong Listing Rules and all other applicable laws and regulations.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Hong Kong Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Yu will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Hong Kong Listing Rules can be satisfied.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

Members of the Group have entered into and are expected to continue with certain transactions which, after the Listing, will constitute our continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the relevant requirements in respect of continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. See "*Connected Transactions*" for details.

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2) AND 4.04(4) OF THE HONG KONG LISTING RULES IN RESPECT OF THE ACQUISITION OF HUAAN FUNDS

In April 2014, the Company's wholly-owned subsidiary, Guotai Junan Innovation Investment, entered into an equity purchase agreement (the "Equity Purchase Agreement") with Shanghai Electric, pursuant to which Guotai Junan Innovation Investment agreed to acquire, and Shanghai Electric agreed to sell, a 20% equity interest in HuaAn Funds for a consideration of RMB600.1 million (the "Acquisition of HuaAn Funds"). HuaAn Funds is incorporated in the PRC and is principally engaged in fund management business.

Pursuant to the Equity Purchase Agreement, if the Acquisition of HuaAn Funds is not approved by the CSRC within 12 months after the date of the Equity Purchase Agreement, Shanghai Electric may refund the consideration of RMB600.1 million and unilaterally terminate the Equity Purchase Agreement. However, the Acquisition of HuaAn Funds was not approved by the CSRC within 12 months after the date of the Equity Purchase Agreement.

Following further discussions and negotiations between the parties, Guotai Junan Innovation Investment entered into three supplemental agreements with Shanghai Electric on September 29, 2015, July 30, 2016 and January 12, 2017, respectively. Pursuant to the supplemental agreements, Shanghai Electric agreed (i) not to exercise the right to unilaterally terminate the Equity Purchase Agreement and (ii) to extend the completion date of the Acquisition of HuaAn Funds. Also, Guotai Junan Innovation Investment agreed to make two additional payments of RMB29.8 million and RMB20.1 million. See "*History and Corporate Structure*" for details of the Acquisition of HuaAn Funds.

As of September 30, 2016, Guotai Junan Innovation Investment has paid a total RMB640.7 million for the Acquisition of HuaAn Funds. As at the Latest Practicable Date, the outstanding amount payable to Shanghai Electric by Guotai Junan Innovation Investment was RMB20.1 million and the Acquisition of HuaAn Funds was still subject to the approval of the CSRC.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules in relation to the preparation of financial statements in respect of the Acquisition of HuaAn Funds on the following grounds:

(i) The Company is not able to exercise any real control over, nor does it have any material influence, over HuaAn Funds, before completion of the Acquisition of HuaAn Funds and is therefore not able to obtain all the requisite financial information in compliance with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules.

(ii) Based on the relevant financial information of HuaAn Funds for the year ended 2015 available to us, all relevant percentage ratios (i.e. calculated against the 2015 financial results of the Group) under Rule 14.07 of the Hong Kong Listing Rules of the Acquisition of HuaAn Funds are below 5%.

(iii) The information required to be disclosed for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules in respect of the Acquisition of HuaAn Funds is set out in "*History and Corporate Structure*".

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.08 OF THE HONG KONG LISTING RULES

On May 19, 2016, the Shareholders' general meeting approved the issuance of the Convertible Bonds which are convertible into our A Shares. On December 12, 2016, in accordance with the authorization of the Shareholders' general meeting, the Board determined the aggregate principal amount of the CB Issuance to be no more than RMB7 billion.

On December 21, 2016, the Main Board Issuance Examination Committee of the CSRC has reviewed and approved the CB Issuance and as at the Latest Practicable Date, the CB Issuance is still subject to the final approval by the CSRC. As the approval by the CSRC is beyond the control of the Company, the timing of the completion of the CB Issuance is uncertain. In addition, pursuant to the relevant PRC laws, regulations and rules, the Convertible Bonds shall be issued within six months upon the approval of the CSRC. Therefore, it is possible that the CB Issuance may be carried out within six months from the [REDACTED].

The existing holders of A Shares have priority to subscribe for the Convertible Bonds on a *pro rata* basis with reference to their respective shareholding at the time of the CB Issuance. The final amount to be offered to the holders of A Shares will be subject to the Company's sole discretion. International Group and its subsidiary Shanghai SA and Shenzhen Investment Holdings have undertaken to subscribe the Convertible Bonds to be offered to them, respectively. See "*Share Capital*" for detailed information of the CB Issuance.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

Pursuant to Rule 10.08 of the Hong Kong Listing Rules, no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing), except for the particular circumstances stated in the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with Rule 10.08 of the Hong Kong Listing Rules in respect of the CB Issuance on the following grounds:

(i) As a listed company on the Shanghai Stock Exchange, the Company can satisfy its fund-raising needs by the CB Issuance. The proceeds from the CB issuance will be used to replenish our working capital and expand our principal businesses which is in the interest of the Company and the Shareholders as a whole.

(ii) The existing Shareholders have already approved the CB Issuance and the proposed listing of the H Shares. The potential impact of the CB Issuance on the Company's share capital has been adequately disclosed in this document.

(iii) As the CB Issuance is subject to the approval of CSRC, the timing of the approval is beyond our control and it could be granted before or after the [REDACTED]. Also, we are required by the relevant PRC laws, regulations and requirements to complete the CB Issuance within six months upon the approval by the CSRC. Therefore, we are unable to control the timing of the completion of the CB Issuance.

SUBSCRIPTION OF H SHARES BY INTERNATIONAL GROUP AND SHENZHEN INVESTMENT HOLDINGS

Rule 10.04 of the Hong Kong Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of the issuer either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are fulfilled. It is provided in Rule 10.03(1) of the Hong Kong Listing Rules that no securities may be offered to existing shareholders on a preferential basis and no preferential treatment may be given to them in the allocation of the securities; and in Rule 10.03(2) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) must be achieved.

Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides that no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the [REDACTED] unless the conditions set out in Rules 10.03 and 10.04 under the Hong Kong Listing Rules are fulfilled.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

As of the Latest Practicable Date, International Group, being the Controlling Shareholder, directly and indirectly controlled approximately 36.29% of the total share capital of the Company. Shenzhen Investment Holdings, being our second largest Shareholder, directly held approximately 8.18% of the total share capital of the Company.

In accordance with the Interim Measures on the Management of Reduction of State-held Shares and Raising Social Security Funds, the state-owned Shareholders of the Company are required to transfer to the NSSF such number of Shares representing an aggregate of 10% of the H Shares to be issued pursuant to the [REDACTED].

International Group, along with its subsidiaries which held A Shares of the Company, is required to transfer a total of approximately [REDACTED] million Shares to the NSSF (assuming the [REDACTED] is not exercised). Taking into account the mandatory transfer of Shares to NSSF and the dilutive effect of the [REDACTED], the aggregate shareholding of International Group and its subsidiaries in the Company will be reduced by [REDACTED]% from 36.29% to [REDACTED]% immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

Similarly, Shenzhen Investment Holdings is required to transfer approximately [REDACTED] million Shares to the NSSF (assuming the [REDACTED] is not exercised). Taking into account the mandatory transfer of Shares to NSSF and the dilutive effect of the [REDACTED], Shenzhen Investment Holdings' shareholding in the Company will be reduced by [REDACTED]% from 8.18% to [REDACTED]% immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

In order for International Group, as the state-owned Controlling Shareholder, to maintain its controlling position in the Company, Shanghai SASAC has issued a governmental directive to require International Group to subscribe, by itself or through its nominee(s), for a total of 152 million H Shares in the [REDACTED]; Shenzhen SASAC has also issued a governmental directive to require Shenzhen Investment Holdings to subscribe, by itself or through its nominee(s), for such number of H Shares to maintain its current shareholding of 8.18% upon completion of the [REDACTED] (after the full exercise of the [REDACTED]) (collectively, the "Proposed H Share Subscriptions"). In order to satisfy the requirements under the directive issued by Shenzhen SASAC, based on the proposed size of the [REDACTED], Shenzhen Investment Holdings will need to subscribe up to [REDACTED] million H Shares in the [REDACTED] so that its shareholding in the Company will be 8.18% upon completion of the [REDACTED] (after the full exercise of the [REDACTED]). Among the [REDACTED] million H Shares to be subscribed by and conditionally allocated to Shenzhen Investment Holdings, [REDACTED] million H Shares will be allotted and issued to Shenzhen Investment Holdings upon the Listing, while up to [REDACTED] million H Shares will be allotted and issued to Shenzhen Investment Holdings conditional upon the exercise of the [REDACTED]. The ratio of the final amount of H Shares to be allotted and issued to Shenzhen Investment Holdings upon the exercise of the [REDACTED] against the [REDACTED] H Shares mentioned above will be same to that of the final amount of the H Shares to be issued upon the exercise of the [REDACTED] against the amount of the H Shares to be issued upon the full exercise of the [REDACTED], to, and only to, the extent that such amount will enable Shenzhen Investment Holdings' shareholding in the Company to be maintained at 8.18% immediately upon the exercise of the [REDACTED].

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

As such, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with the requirements under Rule 10.04 and its consent under Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules in respect of the Proposed H Share Subscriptions on the following grounds:

(i) International Group and Shenzhen Investment Holdings are state-owned capital operation platforms making investments on behalf of the Shanghai Municipal Government and the Shenzhen Municipal Government, respectively, and are our important strategic Shareholders. The Proposed H Share Subscriptions, for the purpose of maintaining their respective shareholdings in the Company, will be specifically conducted to comply with, and in accordance with, the requests, by way of governmental directives, of the Shanghai SASAC and the Shenzhen SASAC. As wholly-owned enterprises of the Shanghai SASAC and the Shenzhen SASAC, each of International Group and Shenzhen Investment Holdings has the obligation to comply with the governmental directives, and to satisfy the requirements of, the Shanghai SASAC and the Shenzhen SASAC, respectively.

(ii) Given (a) the Company, as a company listed on the Shanghai Stock Exchange, is required to disclose inside information in a timely manner, (b) all material information about the [REDACTED] has been disclosed in this document, and (c) International Group and Shenzhen Investment Holdings are not involved in the daily operation of the Company, International Group and Shenzhen Investment Holdings have no access to material non-public information regarding the [REDACTED] and the Company in anticipation of the Proposed H Share Subscriptions.

(iii) The Proposed H Share Subscriptions will be undertaken at the same price and substantially on the same terms as all other H Shares being [REDACTED] to other investors pursuant to the [REDACTED] (save for the lock-up period and the basis of allocation).

(iv) International Group and Shenzhen Investment Holdings will agree to be subject to a lock-up period of 12 months from the [REDACTED] in respect of the H Shares acquired by them in the [REDACTED]. The lock-up period is longer than that required under Rule 10.07 of the Hong Kong Listing Rules.

(v) Details of International Group and Shenzhen Investment Holdings and the Proposed H Share Subscriptions have been/will be fully disclosed in this document and the [REDACTED], to ensure that potential investors make their investment decisions on a fully-informed basis.

(vi) The Company has applied for a waiver from strict compliance with Rule 8.08(1) of the Hong Kong Listing Rules in respect of the minimum public float of the H Shares. On the

basis of the public float waiver to be granted, while the H Shares to be subscribed for by International Group will not be counted towards the H Shares held in public hands, the minimum prescribed public float of the H Shares will comply with the requirements of the Hong Kong Stock Exchange after the Proposed H Share Subscriptions.

(vii) The H Shares to be placed with International Group and Shenzhen Investment Holdings shall form part of the [REDACTED], and as a result, their subscriptions will not have any impact on the H Shares [REDACTED] in Hong Kong under the [REDACTED].

(viii) International Group and Shenzhen Investment Holdings will not enjoy any preferential treatments over public investors (except for the allocation pursuant to the governmental directives) and their subscriptions will not violate the requirements under Rules 10.03 and 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules.

ALLOCATION OF H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 TO THE HONG KONG LISTING RULES

Rule 10.04 of the Hong Kong Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions in Rule 10.03 of the Hong Kong Listing Rules are fulfilled:

(i) no securities are offered to existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and

(ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides that, unless with the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the [REDACTED] unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with the requirements under Rule 10.04 and its consent under paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules to permit certain existing minority Shareholders who hold a small amount of our A Shares and their close associates to receive allocation of the H Shares in the [REDACTED] as part of the Listing, subject to the following conditions:

(i) each existing minority Shareholder to whom the Company may allocate H Shares in the [REDACTED] must hold less than 5% of the Company's voting rights prior to the completion of the [REDACTED];

(ii) each existing minority Shareholder is not, and will not be, a core connected person (as defined under the Hong Kong Listing Rules) of the Company or any close associate (as defined under the Hong Kong Listing Rules) of any such core connected person immediately prior to or following the [REDACTED];

(iii) such existing minority Shareholders have no right to appoint directors of the Company and do not have other special rights in the Company;

(iv) allocation to such existing minority Shareholders and their close associates will not affect our ability to satisfy the public float requirement under Rule 8.08 of the Hong Kong Listing Rules;

(v) [to the best of their knowledge and belief, each of the Company, the [REDACTED] and the Joint Sponsors (based on their discussions with and confirmations from the Company and the [REDACTED]) confirm to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to such existing minority Shareholders and their close associates by virtue of their relationship with the Company in any allocation in the [REDACTED];] and

(vi) the relevant information in respect of the allocation to such existing minority Shareholders and/or their close associates will be disclosed in the allotment results announcement.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1) of the Hong Kong Listing Rules requires that there must be an open market in the securities for which listing is sought and that a sufficient public float of an issuer's listed securities shall be maintained.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with Rule 8.08(1) of the Hong Kong Listing Rules such that the minimum public float be reduced and the minimum percentage of the H Shares from time to time held by the public:

(i) before the Convertible Bonds are converted, to be the highest of:

  (a) [[REDACTED]] of the total issued share capital of the Company;

  (b) such percentage of H Shares of the total issued share capital of the Company to be held by the public immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised); or

  (c) such percentage of H Shares of the enlarged issued share capital of the Company to be held by the public after the exercise of the [REDACTED],

(ii) after the Convertible Bonds are converted, to be the highest of:

(a) [[REDACTED]] of the total issued share capital of the Company; or

(b) such percentage of H Shares to be held by the public immediately after the Convertible Bonds are fully converted,

provided that (i) appropriate disclosure of the lower prescribed percentage of public float is made in this document and (ii) confirmation of sufficiency of public float will be made in successive annual reports after the Listing. In the event that the public float percentage falls below the minimum percentage prescribed by the Hong Kong Stock Exchange above, we will take appropriate steps to ensure that the minimum percentage of public float prescribed by the Hong Kong Stock Exchange is complied with.

WAIVER IN RELATION TO THE PUBLICATION OF ANNUAL REPORT AND RELEASE OF ANNUAL FINANCIAL RESULTS

Rule 13.46(2) of the Hong Kong Listing Rules requires an issuer to send a copy of its annual report including its annual accounts or summary financial report to its shareholders within four months after its financial year-end. Rule 13.49(1) of the Hong Kong Listing Rules requires an issuer to publish its annual results no later than three months after its financial year-end.

As the Company will include in this document the financial information in respect of the year ended December 31, 2016, our Directors believe that strict compliance with the requirements of Rules 13.46(2) and 13.49(1) of the Hong Kong Listing Rules would not provide our Shareholders and potential investors with further material information of the Company and would incur unnecessary administrative cost and be unduly burdensome for the Company.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with the requirements of Rules 13.46(2) and 13.49(1) of the Hong Kong Listing Rules in respect of the publication of annual results announcement and the issue of an annual report for the year ended December 31, 2016. The Company will not be in breach of the Articles or the laws and regulations of the PRC or other regulatory requirements regarding its obligation to our publish annual results announcement and annual report.

In addition, the Company has included in this document a statement as to whether we intend to comply with the provisions in the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules upon the Listing. Please see *"Directors, Supervisors and Senior Management — Corporate Governance"*.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Executive Directors	Mr. YANG Dehong (楊德紅) Mr. WANG Song (王松) Mr. YU Jian (喻健)
Non-executive Directors	Mr. FU Fan (傅帆) Ms. LIU Ying (劉櫻) Mr. ZHONG Maojun (鐘茂軍) Mr. ZHOU Lei (周磊) Mr. WANG Yongjian (王勇健) Mr. XIANG Dong (向東) Mr. LIU Qiang (劉強)
Independent Non-executive Directors	Mr. XIA Dawei (夏大慰) Mr. SHI Derong (施德容) Mr. CHEN Guogang (陳國鋼) Mr. LING Tao (凌濤) Mr. JIN Qingjun (靳慶軍) Mr. LEE Kong Wai, Conway (李港衛) (1)

SUPERVISORS

Supervisors	Mr. SHANG Hongbo (商洪波) Mr. ZHU Ning (朱寧) Mr. TENG Tieqi (滕鐵騎) Mr. SHAO Chong (邵崇) Mr. ZUO Zhipeng (左志鵬) Mr. WANG Weijie (汪衛傑) Mr. LIU Xuefeng (劉雪楓)

For the biographies and other relevant information of the Directors and Supervisors, please see *"Directors, Supervisors and Senior Management"*.

Note:

(1) Mr. Lee was appointed as an independent non-executive Director at a Shareholders' general meeting on October 24, 2016 and his appointment will become effective upon the Listing. Mr. Lee's qualifications as an independent Director was approved by the CSRC's Shanghai branch on December 1, 2016.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**Guotai Junan Capital Limited** 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong **Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **Merrill Lynch Far East Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong **SPDB International Capital Limited** 10/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
[REDACTED]	[●]
[REDACTED]	[●]
[REDACTED]	[●]
Legal Advisors to the Company	*As to Hong Kong and United States laws* **Freshfields Bruckhaus Deringer** 11/F, Two Exchange Square Central Hong Kong

	As to PRC laws **Haiwen & Partners** Unit 2605, Tower 1, Jing An Kerry Center 1515 Nanjing West Road Shanghai PRC
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws* [REDACTED]
	As to PRC laws [REDACTED]
Reporting Accountants	**Ernst & Young** Certified Public Accountants 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Joint Compliance Advisors	**Guotai Junan Capital Limited** 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong **Huarong International Capital Limited** 29/F, One Pacific Place 88 Queensway Hong Kong
Receiving Banks	[●] [●] [●] [●]

CORPORATE INFORMATION

Registered Office	No. 618, Shangcheng Road China (Shanghai) Pilot Free-Trade Zone Shanghai PRC
Headquarters and Principal Place of Business in the PRC	29/F, Bank of Shanghai Building 168 Middle Yincheng Road Shanghai PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company Website	www.gtja.com (This website and the information contained on this website do not form part of this document)
Joint Company Secretaries	Mr. YU Jian (喻健) Room 301, No. 1 Gaoyou Road Xuhui District Shanghai PRC Ms. KWONG Yin Ping Yvonne (鄺燕萍) *(FCIS, FCS)* 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. YANG Dehong (楊德紅) Mr. YU Jian (喻健)
Strategy Committee	Mr. YANG Dehong (楊德紅) (*Chairman*) Mr. FU Fan (傅帆) Mr. WANG Yongjian (王勇健) Mr. LING Tao (凌濤)
Remuneration Appraisal and Nomination Committee	Mr. XIA Dawei (夏大慰) (*Chairman*) Mr. WANG Yongjian (王勇健) Mr. CHEN Guogang (陳國鋼) Mr. JIN Qingjun (靳慶軍)

Risk Control Committee	Mr. FU Fan (傅帆) (*Chairman*) Mr. WANG Song (王松) Mr. ZHONG Maojun (鐘茂軍) Mr. LIU Qiang (劉強) Mr. LING Tao (凌濤)
Audit Committee	Mr. CHEN Guogang (陳國鋼) (*Chairman*) Mr. ZHOU Lei (周磊) Mr. XIANG Dong (向東) Mr. XIA Dawei (夏大慰) Mr. JIN Qingjun (靳慶軍)
H Share Registrar	[REDACTED]
Principal Bankers	Bank of Shanghai Co., Ltd. No. 168 Middle Yincheng Road Shanghai PRC China Construction Bank Co., Ltd. Shanghai Branch No. 200 Middle Huaihai Road Shanghai PRC Industrial and Commercial Bank of China Limited Shanghai Branch No. 21 East Zhongshan No.1 Road Shanghai PRC Industrial Bank Co., Ltd. Shanghai Branch No. 168 Jiangning Road Shanghai PRC Shanghai Pudong Development Bank Co., Ltd. Shanghai Branch No. 588 South Pudong Road Shanghai PRC

This section contains information and statistics on the industry in which we operate. We have extracted and derived such information and statistics, in part, from various official and publicly available sources. In addition to statistics, market share information and industry data from publicly available government sources and industry associations, certain information and data contained in this section is derived from Wind Info and Dealogic. As a leading integrated service provider of financial data, information and software in the PRC domestic market, Wind Info serves financial enterprises, including securities companies, fund management companies, insurance companies and banks. The financial database of Wind Info contains comprehensive information on stocks, bonds, futures, foreign exchange, insurance, derivative financial instruments and the macro-economy. Historical data provided by Wind Info are collected by Wind Info independently from various public information sources, including, among others, the SAC, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Dealogic is an international financial data and information provider. The database of Dealogic encompasses information on equity and debt capital markets, syndicated lending, M&A transactions and institutional investors. The information and data derived from Wind Info and Dealogic are not commissioned by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the [REDACTED], and can be accessed by all of their respective subscribers.

We believe that the sources of this information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Such information may not be consistent with, and may not have been compiled within or outside the PRC. Accordingly, the official information provided by the government and other third-party sources as contained herein may not be accurate and should not be unduly relied upon.

OVERVIEW OF THE PRC ECONOMY

As a result of over three decades of rapid growth, China is currently the world's second largest economy in terms of nominal GDP. As it entered into a "new normal" stage of development, it is expected to maintain a moderate to high growth rate. According to the National Bureau of Statistics, China's nominal GDP increased from RMB48.4 trillion in 2011 to RMB67.7 trillion in 2015, representing a CAGR of 8.8%. During the same period, the per capita disposable income of urban households increased from RMB21,809.8 to RMB31,194.8, representing a CAGR of 9.4%.

As the PRC government has been driving China's economic restructuring and industry upgrade, the science and technology industry and domestic consumption are expected to be the primary drivers of future economic growth. The implementation of the "Belt and Road" strategy will further open up the PRC markets, further promote trade liberalization, enhance the internationalization of Renminbi and the marketization of exchange rates and facilitate the globalization of the PRC capital markets.

THE PRC CAPITAL MARKET

As the PRC economy grows, a multi-tiered capital market system with sound structure and comprehensive functions has gradually been established. The capital market is increasingly important to the development of the national economy. According to the PBOC, the ratio of amount of financing from enterprise bonds issuance and domestic stock issuance by non-financial enterprises to total amount of financing in China increased from 15.9% as of December 31, 2012 to 23.4% as of December 31, 2015. According to the same source, the ratio of total market capitalization of the securities market to nominal GDP in China increased from 44.4% as of December 31, 2011 to 78.5% as of December 31, 2015. In the future, further increase of the direct financing level and securitization level in China will bring more development opportunities to the securities industry.

Stock Market

The PRC stock market mainly includes the main board on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as well as the SME Board and the ChiNext Board on the Shenzhen Stock Exchange. The NEEQ and regional equity trading centers have also developed rapidly in recent years. As of September 30, 2016, total market capitalization of listed companies on the two stock exchanges ranked second in the world. The following table sets forth the total number, total market capitalization, total amount of new issuance and total trading volume of listed companies on the two exchanges as of the dates indicated:

	As of the last trading day/for the period					As of September	CAGR from
	2011	2012	2013	2014	2015	30, 2016	2011 to 2015
	(RMB in billions, except number of companies)						(percentage)
Number of listed companies . .	2,342	2,494	2,489	2,613	2,827	2,952	4.8%
Market capitalization	21,475.8	23,035.8	23,907.7	37,254.7	53,130.4	48,576.1	25.4%
Total amount of new issuance[(1)]	507.3	312.8	280.3	485.6	833.0	1,072.7[(1)]	13.2%
Total trading volume[(2)]	42,164.5	31,458.3	46,807.1	74,238.5	255,053.8	96,184.1	56.8%

Source: Shanghai Stock Exchange, Shenzhen Stock Exchange, CSRC, Wind Info.

(1) Exchange rate used for calculating the RMB amount of the size of new financing in the B share market is based on US$1.00 = RMB6.6778 as at September 30, 2016.

(2) Including the trading volume in the B share market.

Bond Market

In recent years, the PRC bond market continued to experience rapid development, with the types of bonds gradually diversifying. It has formed a multi-tiered market structure which covers bond issuers including the government, enterprises and financial institutions. This market structure covers

traditional products including corporate bonds, financial bonds and enterprise bonds as well as innovative products including asset-backed securities, panda bonds and green financial bonds. According to Bloomberg, as of September 30, 2016, the PRC bond market ranked second in the world in terms of outstanding balance.

The following table sets forth the total amount of proceeds raised by PRC enterprises, financial institutions and local governments through the issuance of major bond products for the periods indicated:

	2011	2012	2013	2014	2015	For the nine months ended September 30, 2016	CAGR from 2011 to 2015
			(RMB in billions)				(percentage)
Corporate bonds	129.1	262.6	172.2	144.2	1,035.2	2,312.0	68.3%
Financial bonds	2,322.5	2,651.0	2,681.4	3,567.3	4,278.3	3,620.7	16.5%
Enterprise bonds	248.5	649.9	475.2	697.2	342.1	484.9	8.3%
Medium-term notes and short-term financing bills	1,745.8	2,278.2	2,311.3	3,163.0	4,558.6	3,527.5	27.1%
Exchangeable bonds	—	—	0.3	6.0	24.4	35.3	N/A
Bonds issued by government backed agencies	100.0	150.0	150.0	150.0	180.0	40.0	15.8%
Local government bonds	200.0	250.0	350.0	400.0	3,835.1	5,083.9	109.3%
Asset-backed securities	1.3	28.1	28.0	331.0	613.2	509.3	366.0%
Private placement notes	91.9	375.9	565.7	1,026.3	888.1	481.9	76.3%
Total	**4,839.2**	**6,645.8**	**6,734.1**	**9,484.9**	**15,754.9**	**16,095.4**	**34.3%**

Source: Wind Info, there were no exchangeable bonds in 2011 and 2012.

The following table sets forth the balance of major bond products issued by PRC enterprises, financial institutions and local governments as of the dates indicated:

	As of December 31,					As of September 30,	CAGR from
	2011	2012	2013	2014	2015	2016	2011 to 2015
	(RMB in billions)						(percentage)
Corporate bonds	289.7	550.5	701.4	773.8	1,698.2	3,908.0	55.6%
Financial bonds	7,323.6	9,100.3	10,416.3	12,129.8	14,224.3	15,898.3	18.1%
Enterprise bonds	1,309.9	1,925.8	2,333.7	2,923.8	3,049.8	3,285.1	23.5%
Medium-term notes and short-term financing bills	2,810.3	3,695.9	4,320.0	5,153.8	6,606.3	6,936.6	23.8%
Exchangeable bonds	—	—	0.3	6.0	29.0	61.4	N/A
Bonds issued by government backed agencies	581.0	731.0	880.0	1,017.5	1,147.5	1,187.5	18.5%
Local government bonds	600.0	650.0	861.6	1,162.4	4,826.0	9,717.2	68.4%
Asset-backed securities	6.9	32.2	44.6	312.1	655.5	864.0	212.0%
Private placement notes	89.9	455.0	950.5	1,783.8	2,160.9	2,206.8	121.4%
Total	**13,011.3**	**17,140.7**	**20,508.3**	**25,262.8**	**34,397.4**	**44,065.0**	**27.5%**

Source: Wind Info, there were no exchangeable bonds in 2011 and 2012.

Derivative Financial Instruments Market

The PRC derivative financial instruments market mainly contains commodity futures and financial futures, including stock market index futures and treasury bond futures. This market also contains the recently introduced interest rate swaps, options and foreign exchange derivative financial instruments. The following table sets forth the trading volume of commodity futures, stock market index futures and treasury bond futures for the periods indicated:

	2011	2012	2013	2014	2015	For the nine months ended September 30, 2016	CAGR from 2011 to 2015
	(RMB in trillions)						(percentage)
Commodity futures	93.8	95.3	126.5	128.0	136.5	131.7	9.8%
Stock market index futures	43.8	75.8	140.7	163.1	411.7	7.5	75.1%
Treasury bond futures	—	—	0.3	0.9	6.0	5.9	N/A

Source: China Futures Association, CSRC.

Foreign Exchange Market

The PRC foreign exchange market is centered around the interbank foreign exchange market. In recent years, some securities companies and fund management companies have begun to enter this market. The PRC government has promulgated a series of rules to promote the development of the foreign exchange market, increase its liquidity and improve its pricing mechanism. From January 1, 2013 to September 30, 2016, the cumulative trading volume and daily trading volume of the China Foreign Exchange Trading Center was equivalent to US$17 trillion and US$12.5 billion, respectively.

THE PRC SECURITIES INDUSTRY

Overview

Benefiting from the development of the overall PRC economy and capital markets, the PRC securities industry grew rapidly in recent years. According to the SAC, from 2011 to 2015, the PRC securities industry's operating revenue increased from RMB136.0 billion to RMB575.1 billion, and the total net profit increased from RMB39.4 billion to RMB244.8 billion, representing a CAGR of 43.4% and 57.9%, respectively. As of December 31, 2015, the PRC securities industry's total assets, net assets and net capital amounted to RMB6.4 trillion, RMB1.5 trillion and RMB1.3 trillion, respectively.

Overall Landscape of the PRC Securities Industry

As of September 30, 2016, there were 127 registered securities companies in the PRC. The following table sets forth the operating revenue and net profit for 2015 and the total assets, net assets and net capital as of December 31, 2015 of the top ten PRC securities companies by net assets:

Top ten securities companies	Operating revenue	Net profit	Total assets	Net assets	Net capital
			(RMB in billion)		
CITIC Securities	56.0	20.4	616.1	141.7	89.4
Haitong Securities	38.1	16.8	576.4	116.9	85.5
Guotai Junan	37.6	16.7	454.3	101.6	77.3
Huatai Securities	26.3	10.8	452.6	81.5	52.4
GF Securities	33.4	13.6	419.1	79.8	64.3
Galaxy Securities	26.3	9.9	300.7	57.2	60.6
Shenwan Hongyuan	30.5	12.4	333.6	51.9	33.0
Guosen Securities	29.1	13.9	244.4	49.9	47.8
China Merchants Securities	25.3	10.9	291.7	48.4	37.2
Everbright Securities	16.6	7.7	197.1	42.4	36.6
Total	**319.1**	**133.2**	**3,885.9**	**771.5**	**584.2**
Share of the industry (%)	**55.5%**	**54.4%**	**60.5%**	**53.2%**	**46.7%**

Source: Wind Info. The operating revenue, net profit, total assets and net assets data are presented on a consolidated basis. The net capital data are presented on an unconsolidated basis. Financial data are prepared based on CAS. Market totals are derived from SAC.

Institutional Finance

Investment Banking

Investment banking business primarily includes equity financing, debt financing and financial advisory. In recent years, increasing demand for direct financing and the continuous reform of stocks and bonds issuance mechanisms have driven the rapid growth of the PRC investment banking business. According to the SAC, the net revenue from investment banking business of the PRC securities industry has increased from RMB24.1 billion in 2011 to RMB53.1 billion in 2015, representing a CAGR of 21.8%. The following table sets forth the top ten PRC securities companies ranked in terms of net revenue from investment banking business in 2015:

	CITIC Securities	CSC Financial	Guotai Junan	China Merchant Securities	Guosen Securities	GF Securities	CICC	Haitong Securities	Shenwan Hongyuan	Huatai Securities
Net revenue (RMB in millions)	3,775.9	2,983.1	2,838.3	2,296.3	2,145.4	1,971.3	1,697.6	1,577.9	1,548.8	1,476.3
Market share	7.2%	5.7%	5.4%	4.4%	4.1%	3.7%	3.2%	3.0%	2.9%	2.8%

Source: SAC, on a consolidated basis.

According to Wind Info, for the year ended December 31, 2015, the aggregate underwritten amount of IPOs and equity refinancing by PRC securities companies was RMB984.9 billion. The following table sets forth the top ten PRC securities companies ranked in terms of the underwritten amount of IPOs and follow-on equity offerings in 2015:

	CITIC Securities	Guotai Junan	CSC Financial	GF Securities	China Merchant Securities	Huatai United	Guosen Securities	Southwest Securities	Haitong Securities	CICC
Underwritten amount (RMB in billions)	94.3	75.8	52.5	51.4	47.5	46.6	44.0	35.6	34.1	33.0
Market share	9.6%	7.7%	5.3%	5.2%	4.8%	4.7%	4.5%	3.6%	3.5%	3.4%

Source: Wind Info, on a consolidated basis. Equity refinancing include follow-on offerings, rights issues and issuance of convertible bonds.

According to Wind Info, for the year ended December 31, 2015, the aggregate underwritten amount of debt offerings by PRC securities companies was RMB3,112.9 billion. The following table sets forth the top ten PRC securities companies ranked in terms of the underwritten amount of debt offerings in 2015:

	CITIC Securities	CSC Financial	Guotai Junan	China Merchant Securities	CICC	CDB Securities	Haitong Securities	Everbright Securities	Galaxy Securities	GF Securities
Underwritten amount (RMB in billions)	385.1	358.7	233.7	212.8	137.5	106.4	103.0	88.5	82.8	73.6
Market share	12.4%	11.5%	7.5%	6.8%	4.4%	3.4%	3.3%	2.8%	2.7%	2.4%

Source: Wind Info, on a consolidated basis.

In recent years, the accelerated transformation of the PRC economic structure has driven companies entering more market sectors to promote M&As and restructurings. Meanwhile, a large number of PRC companies have accelerated the globalization of their businesses and have subsequently boosted the number of overseas M&As. These market developments have generated substantial financial advisory business opportunities in the PRC securities industry. According to Wind Info, for the nine months ended September 30, 2016, the total transaction volume of domestic and cross-border M&As was RMB2,157.4 billion and RMB674.4 billion, respectively.

Institutional Investor Services

Prime Brokerage

In recent years, the enhanced scale and diversity of institutional investors drove the demand for comprehensive and customized services. In order to meet institutional investors' need for comprehensive financial services, securities companies have rapidly developed their prime brokerage businesses and formed "one-stop" prime brokerage services structures which include trading services, custody and outsourcing services, financing services and research services. In particular, trading services and custody and outsourcing services have become primary sources of revenue under such business model.

Securities companies derive commission income from providing trading services directly to institutional investors including private funds. Securities companies also derive trading seats leasing revenue from the leasing of trading seats to institutional investors including fund companies and insurance companies that are not members of stock exchanges. According to Wind Info, the total revenue from the leasing of trading seats to fund companies of PRC securities companies increased

from RMB5.0 billion in 2011 to RMB15.5 billion in 2015, representing a CAGR of 32.8%. The following table sets forth the top ten PRC securities companies in terms of total revenue from leasing of trading seats in 2015:

	CITIC Securities	Haitong Securities	Shenwan Hongyuan	Guotai Junan	China Merchant Securities	Essence Securities	Industrial Securities	Guosen Securities	GF Securities	Orient Securities
Trading seat leasing revenue (RMB in millions)	1,263.2	974.4	881.6	878.0	854.6	794.1	764.4	713.1	712.3	684.8
Market share	7.6%	5.9%	5.3%	5.3%	5.1%	4.8%	4.6%	4.3%	4.3%	4.1%

Source: SAC, on a consolidated basis.

As of December 31, 2015, a total of 26,776 funds have registered with the Asset Management Association of China, including 2,722 mutual funds and 24,054 private funds. The following table sets forth the top ten PRC securities companies in terms of the number of registered private funds under custody as of December 31, 2015:

	China Merchant Securities	Guosen Securities	Guotai Junan	CITIC Securities	GF Securities	CSC Financial	Haitong Securities	Huatai Securities	Industrial Securities	Galaxy Securities
Number of private funds	2,370	1,890	1,243	969	402	373	259	242	239	85
Market share	29.1%	23.2%	15.2%	11.9%	4.9%	4.6%	3.2%	3.0%	2.9%	1.0%

Source: Asset Management Association of China.

Sales and Trading

The sales and trading business of PRC securities companies primarily comprises proprietary trading and market making.

In 2012, the CSRC expanded the scope of proprietary trading to securities traded on the exchanges, the OTC markets, the interbank market as well as securities traded over the counter by domestic financial institutions. With the launch of stock market index futures, treasury bond futures and stock options, PRC securities companies deploy increasingly diversified trading strategies and investment instruments, which in turn enhanced their trading functions and liquidity risk management capability. The investment income of the PRC securities industry increased from RMB5.0 billion in 2011 to RMB141.4 billion in 2015, representing a CAGR of 130.6%. For the six months ended June 30, 2016, the investment income of PRC securities companies was RMB24.5 billion.

In recent years, PRC securities companies have begun to engage in market-making business for interbank bond market, OTC, non-standard financial products, the NEEQ, ETFs and stock options. As of July 23, 2015, the number of securities companies acting as pilot market makers in the interbank bond market increased to 17. As of September 30, 2016, a total of 87 securities companies are qualified as market maker on the NEEQ. As of the same date, a total of ten securities companies are qualified as the primary market makers of SSE 50ETF Options on the Shanghai Stock Exchange.

Stock-pledged Financing

Since the Shanghai Stock Exchange and the Shenzhen Stock Exchange launched stock-pledged financing business in June 2013, the stock-pledged financing business of PRC securities companies grew rapidly and became a stable source of revenue for many securities companies. According to the SAC, the interest income from stock-pledged financing by PRC securities companies increased from RMB9.0 billion in 2014 to RMB18.5 billion in 2015, representing an increase of 105.5%. As of December 31, 2015, the total balance of stock-pledged financing of the securities industry was RMB293.0 billion. The following table sets forth the top ten PRC securities companies in terms of balances of stock-pledged financing as of December 31, 2015:

	Haitong Securities	CITIC Securities	Huatai Securities	Guotai Junan	Guosen Securities	Huarong Securities	Industrial Securities	Pacific Securities	China Merchant Securities	Soochow Securities
Balances (RMB in billions)	47.3	29.6	23.4	22.2	20.6	12.8	12.5	10.3	10.2	7.8
Market share	16.2%	10.1%	8.0%	7.6%	7.0%	4.4%	4.3%	3.5%	3.5%	2.6%

Source: Wind Info, on a consolidated basis, excluding channel business.

Personal Finance

Retail Brokerage

In recent years, expanding and increasingly active stock market has driven the rapid growth of the securities brokerage business of the securities industry. The net revenue from securities brokerage on behalf of clients in the PRC securities industry increased from RMB68.9 billion in 2011 to RMB269.1 billion in 2015, representing a CAGR of 40.6%. The following table sets forth the top ten PRC securities companies in terms of net revenue from securities brokerage business for the year ended December 31, 2015:

	Guotai Junan	Guosen Securities	Galaxy Securities	Shenwan Hongyuan	CITIC Securities	GF Securities	Huatai Securities	China Merchant Securities	Haitong Securities	Founder Securities
Net revenue (RMB in billions)	15.9	14.4	14.1	13.7	12.5	12.2	11.3	10.9	10.7	7.6
Market share	6.2%	5.7%	5.5%	5.4%	4.9%	4.8%	4.4%	4.3%	4.2%	3.0%

Source: SAC, on a consolidated basis.

Futures products available in the PRC mainly include commodity futures and financial futures. According to Wind Info, as of December 31, 2015, a total of 150 futures companies dealt in futures in the PRC. The total transaction volume of futures of the PRC securities industry increased from RMB137.5 trillion in 2011 to RMB554.2 trillion in 2015, representing a CAGR of 41.7%.

Margin Financing and Securities Lending

In 2010, the CSRC officially permitted PRC securities companies to conduct margin financing and securities lending pilot business. According to Wind Info, the balance of margin loans and securities lending by the securities industry increased from RMB38.2 billion in 2011 to RMB1,174.3 billion in 2015, representing a CAGR of 135.5%. The following table sets forth the top ten PRC securities companies in terms of interest income from margin financing and securities lending business for the year ended December 31, 2015:

	GF Securities	Guotai Junan	Galaxy Securities	CITIC Securities	Huatai Securities	Shenwan Hongyuan	Haitong Securities	China Merchant Securities	Guosen Securities	Everbright Securities
Interest income (RMB in millions)	7,497.9	7,407.1	7,356.8	7,227.2	6,888.5	6,854.0	6,645.9	6,585.3	5,894.1	4,064.2
Market share	6.3%	6.3%	6.2%	6.1%	5.8%	5.8%	5.6%	5.6%	5.0%	3.4%

Source: SAC, on a consolidated basis.

Investment Management

Asset Management

In recent years, the asset management business has grown rapidly and has become an important source of revenue for PRC securities companies. According to the SAC, the total AUM of the PRC securities industry increased from RMB0.3 trillion in 2011 to RMB11.9 trillion in 2015, representing a CAGR of 151.0%. The following table sets forth the top ten PRC securities companies in terms of net revenue from asset management business for the year ended December 31, 2015:

	Shenwan Hongyuan	CITIC Securities	Guotai Junan	Haitong Securities	Orient Securities	Huatai Securities	GF Securities	China Merchant Securities	Everbright Securities	Industrial Securities
Net revenue (RMB in millions)	1,956.0	1,750.5	1,522.6	1,414.7	1,407.6	1,204.5	1,162.56	1,061.8	960.5	796.0
Market share	7.1%	6.4%	5.6%	5.2%	5.1%	4.4%	4.2%	3.9%	3.5%	2.9%

Source: Wind Info, on a consolidated basis.

Fund Management

Securities companies mainly conduct mutual fund management business through their fund management subsidiaries. In 2013, the CSRC allowed PRC securities companies to apply directly for mutual fund management license to offer and manage mutual funds. The AUM of PRC mutual funds increased from RMB2.2 trillion in 2011 to RMB8.4 trillion in 2015, representing a CAGR of 39.8%.

Direct Investment

In July 2011, the CSRC permitted the subsidiaries of PRC securities companies to use their own funds or raise funds through private placement to engage in angel, venture capital, pre-IPO and M&A investments. According to the SAC, the number of private equity funds established by private equity subsidiaries of PRC securities companies increased from 38 as of December 31, 2013 to 178 as of December 31, 2015, and AUM of such private equity funds increased from RMB30.5 billion as of December 31, 2013 to RMB119.3 billion as of December 31, 2015, representing a CAGR of 97.8%.

International Business

Driven by the development of the PRC economy, the implementation of "Belt and Road" strategy, and further internationalization of Renminbi and the PRC capital markets, the demand for cross-border financial services from domestic clients and overseas institutions has been increasing.

On one hand, the number and transaction value of overseas equity financing, debt financing and cross-border M&A by PRC enterprises have been increasing. The amount of proceeds raised from overseas IPOs by PRC enterprises increased from RMB127.3 billion in 2011 to RMB197.3 billion in 2015, representing a CAGR of 11.6%. The Hong Kong Stock Exchange has become one of their top choices of listing venue. As of September 30, 2016, the market capitalization of PRC-based companies represented 41.2% of the total market capitalization of listed companies on the Hong Kong Stock Exchange. According to Dealogic, the amount of proceeds raised from bond issuances in the international market by PRC issuers increased from US$34.1 billion in 2011 to US$113.2 billion in 2015, representing a CAGR of 35.0%.

On the other hand, the launch of Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Mainland-Hong Kong Mutual Recognition of Funds, the gradual relaxation of foreign ownership restriction and the growth of QFII and RQFII businesses, have allowed foreign investors to further participate in the PRC capital markets. From December 31, 2011 to December 31, 2015, the investment quota of QFII increased at a CAGR of 39.1%, while the number of QFII increased at a CAGR of 25.9% in the same period. The investment quota of RQFII increased at a CAGR of 153.9%, while the number of RQFII increased at a CAGR of 29.8% in the same period.

The internationalization of the PRC securities market will further connect the domestic and overseas financial markets. This will allow PRC securities companies to strengthen the linkage between their domestic and overseas businesses as well as provide a globalized asset allocation channel for domestic and overseas clients to satisfy their demand for cross-border financial services.

DEVELOPMENT OPPORTUNITIES OF THE PRC SECURITIES INDUSTRY

Development of the capital market will further diversify the services and products of securities companies. Development of the PRC economy and growth in direct financing have diversified the need of clients in the securities market. Increased participation of institutional investors has driven the demand for professional research and comprehensive services, while growing wealth of individual investors has driven the demand for diversified asset allocations. Evolving regulations have also facilitated innovations of financial products, thereby expanding the business scope of securities companies. We expect that PRC securities companies will continue to focus on client demand as they promote new innovative businesses, expand the scope and depth of businesses and services, consolidate their businesses, products, channels and supporting services, and transform themselves into integrated financial service providers covering complete business chains, industrial chains and service chains.

Differentiated competition will provide more growth potential for large securities companies. In recent years, the PRC capital market has demonstrated differentiated competition and concentration of capital and profit in large securities companies. Benefiting from their market positions, capitals and economies of scale, large securities companies with comprehensive strength and strong innovation capabilities will accelerate their growth across all markets and business areas, further enhance their overall competitiveness and achieve development in scale and comprehensiveness. By contrast, small and medium securities companies will concentrate their resources and form competitive edges in certain market segments or regional markets to achieve growth, thereby forming a differentiated and multi-tiered competitive landscape with large integrated securities companies.

Liberalization of PRC capital markets will enable securities companies to accelerate their globalization. The internationalization of Renminbi and PRC capital markets will drive the rapid and comprehensive internationalization process of the PRC securities industry. Under the "Belt and Road" strategy, more PRC enterprises are conducting equity and debt financing overseas as well as seeking overseas financing and M&A opportunities. Domestic investors also require cross-border asset allocation. These have provided abundant business opportunities for PRC securities companies to "go global". PRC securities companies will further develop their international businesses by utilizing both domestic and overseas resources to realize synergy and growth.

Advanced technology will drive securities companies to upgrade their business as well as operation and management models. Advanced IT has transformed PRC securities companies' businesses from the traditional fee-based models to diversified models focusing on professional services, client relations and Internet-based services. A growing number of securities companies are bringing their offline operations online to streamline their businesses, lower service costs and improve operational efficiency. Furthermore, the Internet-based operating models enable securities companies

to collect large amounts of client data to analyze and understand client needs, improve client satisfaction and loyalty as well as acquire new clients. With financial innovation as breakthrough, securities companies will provide investors with tailored products and services and strive to improve the investment returns for clients.

Disciplined regulations will prompt securities companies to enhance corporate governance. Since its launch in 2007, the CSRC's classified regulation regime helped to enhance the risk management capabilities of PRC securities companies. In recent years, the regulatory authorities promulgated a series of policies including standardizing business operations, stabilizing the market and optimizing the industrial landscape. Such policies will promote steady and orderly business innovation and enhance investors' confidence in the PRC capital markets. With more disciplined regulations, the risk management and compliance level of PRC securities companies will continue to be enhanced, and will become one of the key competitive strengths of leading PRC securities companies.

OUR HISTORY

Establishment of the Company

With the approval of the CSRC, the Company was founded in Shanghai as a joint-stock limited company on August 18, 1999 through the merger of Guotai Securities and Junan Securities. Guotai Securities and Junan Securities, the two predecessors of the Company, were established on September 25, 1992 in Shanghai and on October 12, 1992 in Shenzhen, respectively. The Company was established by 136 promotors amongst whom the Shanghai Municipal Finance Bureau, Shenzhen Investment Management Co., Ltd. (深圳市投資管理公司) and State Electronic Power Corporation (國家電力公司) were the major promoters.

In October 2001, the Shanghai Municipal Finance Bureau transferred its entire 16.38% shareholding in the share capital of the Company to Shanghai SA at nil consideration. In April 2007, Shenzhen Investment Management Co., Ltd. contributed its entire 11.15% shareholding in the share capital of the Company into the founding capital of Shenzhen Investment Holdings for its establishment. In June 2007, State Electronic Power Corporation transferred its 4.22% shareholding in the share capital of the Company to State Grid Corporation of China (國家電網公司) at nil consideration, and in April 2011 State Grid Corporation of China transferred its entire 4.22% shareholding in the share capital of the Company to Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司).

Major Changes in Share Capital

Upon the establishment of the Company, our registered capital was RMB3,727.18 million. Major changes to our registered capital are as follows:

- In December 2001, Guotai Junan IM was spun off from the Company, thus our registered capital was decreased to RMB3,700 million.

- In January 2006, Central Huijin Investment Ltd. (中央匯金投資有限責任公司) subscribed for 1,000 million newly issued Shares, thus our registered capital was increased to RMB4,700 million.

- In March 2012, the Company issued 1,400 million new Shares, thus our registered capital was increased to RMB6,100 million.

- In June 2015, the Company issued 1,525 million new Shares which were listed on the Shanghai Stock Exchange, thus our registered capital was increased to RMB7,625 million.

Listing on the Shanghai Stock Exchange

With the approval of the CSRC, we completed the initial public offering and listing of 1,525 million A Shares (stock code: 601211) on the Shanghai Stock Exchange in June 2015. The Company

raised net proceeds of approximately RMB29,663.3 million from the A Share Offering after deducting the underwriting commissions and offering-related expenses. We were subsequently selected as one of the constituent stocks of the CSI 100 Index, SSE 50 Index, SSE 180 Index and CSI 300 Index in December 2015.

The shareholding structure of the Company immediately after the A Share Offering was as follows:

	Number of A Shares Held	Approximate percentage of Shareholding
Shanghai SA	1,949,347,453	25.57%
International Group	698,608,342	9.16%
Shenzhen Investment Holdings	624,071,941	8.18%
Other holders of A Shares	4,352,972,264	57.09%
Total	**7,625,000,000**	**100%**

Based on the knowledge of the Directors, the Company has been operating in compliance with the SSE Listing Rules in all material aspects since our A Shares were listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, we had not been informed by the Shanghai Stock Exchange of any breach of the SSE Listing Rules.

Milestone Events

The milestones events in our development history are set out below:

1992
- Guotai Securities and Junan Securities, the predecessors of the Company, were established in Shanghai and Shenzhen, respectively. Both companies were among the first batch of national large-scale integrated securities firms established in China.

1999
- We were founded and established through the merger of Guotai Securities and Junan Securities, with a registered capital of RMB3,727.18 million, and became the largest securities firm by asset size in China at that time.

2001
- We disposed of assets relating to the non-securities business and split into two independent companies ourselves and Guotai Junan IM. We carried on our business operation as the continuing company and held the securities businesses related assets, and substantially increased the Company's Net Capital through asset swaps, laying the foundation for future development.

2005
- We passed the review by the SAC and became one of the pilot securities firms conducting innovative businesses.

- We obtained support from the government in deepening the reform and establishing a modern financial enterprise system and received a capital injection of RMB1 billion from Central Huijin Investment Ltd.

2008

- We received the regulatory rating of Class A Grade AA from the CSRC, and have maintained such rating record in the following nine consecutive years since then.

2010

- Guotai Junan International (stock code: 1788) became the first PRC-owned securities firm in Hong Kong to undergo an initial public offering and listing on the Hong Kong Stock Exchange.

2012

- International Group became our Shareholder, and it directly and indirectly held 46.74% of our Shares.

2013

- We became the first company to join the payment system of the PBOC in the securities industry and started to implement innovative plans for integrated wealth management services.

2014

- We acquired a 51% equity interest in Shanghai Securities to further expand the Company's business scale.

- We became the first company to obtain the qualifications for sale and purchase of foreign exchange in the securities industry and subsequently obtained the China Interbank FX Market membership and derivatives membership qualifications. We then began to undertake transactions of spot sale and purchase of foreign exchange and RMB and foreign exchange related derivative business.

2015

- We completed the initial public offering and listing of our A Shares (stock code: 601211) on the Shanghai Stock Exchange, and were subsequently selected as one of the constituent stocks of the CSI 100 Index, SSE 50 Index, SSE 180 Index and CSI 300 Index.

- We were among the first batch of securities companies which were admitted into the independent accounting and auditing unit of the PBOC, and commenced free trade account business in the China (Shanghai) Pilot Free — Trade Zone.

2016

- We summarized our 24 years of development history and refined it as the "Guotai Junan Consensus" to articulate our core values and corporate mission.

MAJOR RESTRUCTURINGS, ACQUISITIONS AND DISPOSALS

Spin-off of the Company

In August 2001, the CSRC approved the spin-off of the Company. After the spin-off, the Company as the continuing company, held the assets and operations related to the securities business and the associated liabilities, while the newly established Guotai Junan IM held the other assets and operations not related to the securities business and the associated liabilities (the "Non-securities Assets") in accordance with the spin-off scheme.

Asset Swap with China Huarong Asset Management Co., Ltd. ("China Huarong")

In August 2001, the Company entered into an asset swap agreement with China Huarong, pursuant to which we assigned certain creditor's claims valued at RMB908.4 million to China Huarong in consideration for 586.76 million shares of China Petroleum & Chemical Corporation (中國石油化工股份有限公司) valued at RMB1,013 million (the "China Huarong Asset Swap"). The value difference of RMB104.6 million was accounted for as debt owed by us to China Huarong. The Company and China Huarong also agreed that if the Company is not publicly listed before June 30, 2003, the parties will return the assets so swapped. However, the Company was not listed by June 30, 2003.

In September 2003, we entered into a supplement agreement with China Huarong and Guotai Junan IM, pursuant to which (i) China Huarong assigned the creditor's claims received from us to Guotai Junan IM in consideration for a cash payment of RMB813 million, (ii) Guotai Junan IM agreed to pay such consideration by December 20, 2006, and (iii) we pledged 293.38 million shares of China Petroleum & Chemical Corporation to China Huarong as the security for both the consideration value difference of the China Huarong Asset Swap payable by the Company and the consideration for assignment of the creditor's claims payable by Guotai Junan IM.

In July 2006, Guotai Junan IM fully paid the consideration for assignment of the creditor's claims to China Huarong, and the Company later fully settled the consideration value difference of the China Huarong Asset Swap. China Huarong therefore discharged the Company's pledge over the shares of China Petroleum & Chemical Corporation.

Asset Swap with Shanghai SA

In December 2001, we entered into certain agreements with Shanghai SA (the "Asset Swap Agreements"), pursuant to which we assigned certain creditor's claims valued at RMB1,801.3 million to Shanghai SA in consideration for (i) shares of Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司) and Shenergy Company Limited (申能股份有限公司) at the agreed price of RMB1,100.0 million, (ii) RMB300.0 million of cash, and (iii) a debt balance of RMB400 million owed by Shanghai SA to us due for repayment in five years. The Company and Shanghai SA also agreed that if the Company is not publicly listed before June 30, 2003, the parties shall return the assets swapped under the Asset Swap Agreements (the "Asset Return Arrangement"). However, the Company was not listed by June 30, 2003.

In July 2004, we entered into a supplemental agreement with Shanghai SA and Guotai Junan IM, pursuant to which Shanghai SA assigned the creditor's claims received from us to Guotai Junan IM, and Guotai Junan IM, in consideration, assumed the outstanding debt of RMB400 million owed by Shanghai SA to us. The parties also agreed that if the Company fails to obtain the CSRC's approval for its listing by December 31, 2006, the parties shall enter into a further agreement to implement the Asset Return Arrangement. However, the Company was not listed by December 31, 2006.

In April 2007, Shanghai SA and the Company entered into certain agreements pursuant to which Shanghai SA agreed to subscribe for 400 million of our Shares to be issued at the price of RMB1.08 per Share and terminate the Asset Return Arrangement. In March 2012, the subscription of 400 million Shares by Shanghai SA was completed and it issued a confirmation to terminate the Asset Return Arrangement.

Capital Increase and Restructuring with Guotai Junan IM

In April 2007, our Shareholders approved a capital increase and restructuring plan for the Company to (i) issue between 800 million and 1,000 million new Shares to the Shareholders at the price of RMB1.08 per Share, on the condition that each subscribing Shareholder must also subscribe one share of Guotai Junan IM at a price of RMB1.92 for each Share of the Company subscribed and (ii) dispose certain of our Non-securities Assets to Guotai Junan IM.

Meanwhile, in April 2007, Guotai Junan IM implemented a capital increase plan to issue one billion shares at RMB1.92 per share. Guotai Junan IM received a capital injection of RMB1.92 billion from its capital increase plan and subsequently acquired the relevant Non-securities Assets from the Company for a consideration of RMB992 million, which was fully settled at the end of December 2007.

Acquisition of Shanghai Securities

In May 2014, we entered into an equity transfer agreement with International Group pursuant to which we agreed to acquire a 51% equity interest in Shanghai Securities from International Group at a total consideration of RMB3,571 million. The consideration was determined through negotiations with reference to a valuation report prepared by an independent valuer firm. The CSRC approved the transaction on July 1, 2014 and also required us to resolve the competition with Shanghai Securities and Haiji Securities within five years. The acquisition was completed on July 8, 2014, after which Shanghai Securities became our subsidiary.

In order to avoid potential competition and comply with regulatory requirements, in September 2015, Shanghai Securities commenced the public listing and sale process to dispose its 66.67% equity interest in Haiji Securities at the initial tender price of RMB406.2 million. The price was determined with reference to a valuation report prepared by an independent valuer firm. Haiji Securities is a securities firm previously wholly-owned by Shanghai Securities and was principally engaged in the businesses of equity underwriting and listing sponsorship in the PRC. In December 2015, Guiyang Financial Holdings Limited (貴陽金融控股有限公司), an Independent Third Party, acquired the 66.67% equity interest in Haiji Securities through the public listing and sale process at the price of RMB3,011.2 million. The CSRC approved the disposal in February 2016 and the disposal was subsequently completed in March 2016.

Acquisition of 20% Equity Interest in HuaAn Funds

On February 26, 2014, Shanghai Electric began to dispose of its 20% equity interest in HuaAn Funds through public listing and sale on the Shanghai United Assets and Equity Exchange. On April 9, 2014, Guotai Junan Innovation Investment entered into the Equity Purchase Agreement with Shanghai Electric, pursuant to which Guotai Junan Innovation Investment agreed to acquire, and Shanghai Electric agreed to sell, a 20% interest in HuaAn Funds for a consideration of RMB600.1 million. The amount of the consideration was determined through the public listing and sale process with reference to a valuation report prepared by an independent valuer firm.

Pursuant to the Equity Purchase Agreement, we are entitled to receive all dividends declared in respect of the 20% equity interest in HuaAn Funds from November 30, 2013 to the completion date of the acquisition. Also, if the acquisition is not approved by the CSRC within 12 months after the date of the Equity Purchase Agreement, Shanghai Electric may refund the consideration of RMB600.1 million and unilaterally terminate the Equity Purchase Agreement. The acquisition was not approved by the CSRC within 12 months after the date of the Equity Purchase Agreement.

Following further discussions and negotiations between the parties, Guotai Junan Innovation Investment entered into two supplemental agreements with Shanghai Electric on September 29, 2015 and July 30, 2016. Pursuant to the supplemental agreements, Shanghai Electric agreed to (i) not exercise the right to unilaterally terminate the Equity Purchase Agreement and (ii) extend the completion date of the acquisition, in consideration, Guotai Junan Innovation Investment agreed to pay an additional RMB29.8 million. On January 12, 2017, Guotai Junan Innovation Investment entered into a third supplemental agreement with Shanghai Electric pursuant to which Shanghai Electric agreed that it will not exercise the right to terminate the Equity Purchase Agreement and the supplemental agreements prior to September 30, 2017 and Guotai Junan Innovation Investment has agreed to pay an additional RMB20.1 million.

As of September 30, 2016, Guotai Junan Innovation Investment has paid a total of RMB640.7 million for the acquisition of the 20% equity interest in HuaAn Funds. As of the Latest Practicable Date, the acquisition is still subject to the approval of the CSRC.

Shanghai Electric is a major industrial equipment manufacturing conglomerate established in Shanghai and it is wholly-owned by the Shanghai SASAC. Shanghai Electric is an independent third party of the Company. HuaAn Funds is incorporated in the PRC and is principally engaged in fund management business. HuaAn Funds is among the first batch of fund management companies approved by CSRC. According to Wind Info, as of September 30, 2016, HuaAn Funds managed 42 hybrid funds, 18 stock funds, 13 bond funds, eight international (QDII) funds, six currency market funds and two alternative investment funds. As of the Latest Practicable Date, each of Guotai Junan IM and Shangguotou Assets Management held a 20% equity interest in HuaAn Funds.

As of September 30, 2016, the unaudited consolidated total assets and owners' equity of HuaAn Funds were RMB2,582.8 million and RMB1,905.3 million. For the year ended December 31, 2015, the audited consolidated operating profit and net profit of HuaAn Funds were RMB571.6 million and RMB450.7 million. For the year ended December 31, 2014, the audited consolidated operating profit and net profit of HuaAn Funds were RMB291.3 million and RMB215.8 million.

The Board believes that the acquisition of the 20% equity interest of HuaAn Funds will further strengthen the Group's fund management business which in turn will further diversify our income streams and improve our revenue composition.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted us,] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules in relation to the requirements for the preparation of financial statements in respect of this acquisition. Please see "*Waivers from Strict Compliance with the Hong Kong Listing Rules — Waiver from Strict Compliance with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules in Respect of the Acquisition of HuaAn Funds*".

Proposed Disposal of 51% Equity Interest in GTJA Allianz Funds

In order to optimize the Group's business structure, on January 9, 2017, we publicly offered our 51% equity interest in GTJA Allianz Funds for sale at the initial tender price of RMB1,045 million. The initial tender price was determined with reference to a valuation report prepared by an independent valuer firm. GTJA Allianz Funds is primarily engaged in the business of fund management. As of the Latest Practicable Date, it was held as to 51% by the Company and 49% by Allianz AG and the disposal was still undergoing the public listing and sale process. The Company expects that the disposal will not have any material and adverse impact on the operation of the Company.

OUR PRINCIPAL SUBSIDIARIES

First-tier Subsidiaries

As of the Latest Practicable Date, we directly held seven first-tier subsidiaries established in the PRC and Hong Kong which were amongst our principal subsidiaries. The following chart sets out the details of these first-tier subsidiaries as of the Latest Practicable Date. See "*Appendix I—Accountants' Report—Notes to the Financial Information—25. Investment in subsidiaries*" for details of the subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiaries directly held by the Company	Place of incorporation	Date of incorporation	Registered capital (for PRC subsidiaries) / Issued share capital (for Hong Kong subsidiary)	Shareholding of the Company (%)	Main scope of business
Guotai Junan Financial Holdings	Hong Kong	August 10, 2007	HK$31.98 million	100%	Investment holding company which holds the Hong Kong operating subsidiaries
Guotai Junan Asset Management	PRC	August 27, 2010	RMB800 million	100%	Securities asset management

Name of subsidiaries directly held by the Company	Place of incorporation	Date of incorporation	Registered capital (for PRC subsidiaries) / Issued share capital (for Hong Kong subsidiary)	Shareholding of the Company (%)	Main scope of business
Guotai Junan Futures	PRC	April 6, 2000	RMB1,200 million	100%	Futures brokerage, futures advisory and asset management
Guotai Junan Innovation Investment	PRC	May 20, 2009	RMB4,900 million	100%	Direct investment
Shanghai Securities	PRC	April 27, 2001	RMB2,610 million	51%	Securities brokerage, securities investment advisory, securities transaction and securities investment related financial advisory, securities underwriting, securities proprietary trading, securities asset management, securities investment fund agency sales, futures intermediary business, securities margin trading and agency sales of financial products
GTJA Allianz Funds[(1)]	PRC	April 3, 2003	RMB150 million	51%	Fund formation and management
Guoxiang Properties	PRC	December 30, 2011	RMB480 million	100%	Development and management of our self-used office buildings

Note:

(1) On January 9, 2017, we began to dispose of our 51% equity interest in GTJA Allianz Funds by public listing and sale. Please see " — *Proposed disposal of 51% Equity Interest in GTJA Allianz Funds*".

Guotai Junan International

As of the Latest Practicable Date, we indirectly held 64.97% of the issued share capital of Guotai Junan International through Guotai Junan Financial Holdings and its subsidiaries. It was incorporated on March 8, 2010 under the laws of Hong Kong. Guotai Junan International is an investment holding company and its subsidiaries are primarily engaged in brokerage, corporate finance, asset management, loans and financing, financial products, and market making and investments business.

In July 2010, Guotai Junan International completed the initial public offering and listing on the Hong Kong Stock Exchange (stock code: 1788) and raised net proceeds of approximately HK$1,667 million after deducting underwriting commissions and offering-related expenses. Guotai Junan International was selected as one of the constituent stocks of the Hang Seng Composite Index and the Hang Seng MidCap Index in March 2011 and September 2015, respectively.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Our top ten Shareholders as of December 31, 2016

The following table sets out the shareholding of our top ten Shareholders as of December 31, 2016, all of whom held A Shares:

	Number of A Shares Held	Approximate Percentage of Shareholding
Shanghai SA	1,949,347,453	25.57%
International Group	698,608,342	9.16%
Shenzhen Investment Holdings	624,071,941	8.18%
Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司)	252,491,109	3.31%
Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司)	154,455,909	2.03%
The Second Shareholding Transfer Account of Board of Directors of NSSF (全國社會保障基金理事會轉持二戶)	151,104,674	1.98%
Shanghai Financial Development and Investment Fund (Limited Partnership) (上海金融發展投資基金(有限合夥))	150,000,000	1.97%
Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	145,155,909	1.90%
China First Automobile Group Corporation(中國第一汽車集團公司)	115,402,526	1.51%
Anhui Huamao Textile Co., Ltd. (安徽華茂紡織股份有限公司)	95,299,933	1.25%
Total	**4,335,937,796**	**56.86%**

To the best of our Directors' knowledge, all our top ten Shareholders, other than Shanghai SA and International Group, were Independent Third Parties.

CB Issuance

On May 19, 2016, the Shareholders' general meeting approved the issuance of the Convertible Bonds which are convertible into our A Shares. On December 12, 2016, in accordance with the authorization of the Shareholders' general meeting, the Board determined the aggregate principal amount of the CB Issuance to be no more than RMB7 billion. Assuming that the Convertible Bonds are fully converted at the minimum conversion price calculated based on the most recent audited net assets value per Share (i.e. RMB12.5 per A Share), the Company will issue an additional 560 million A Shares.

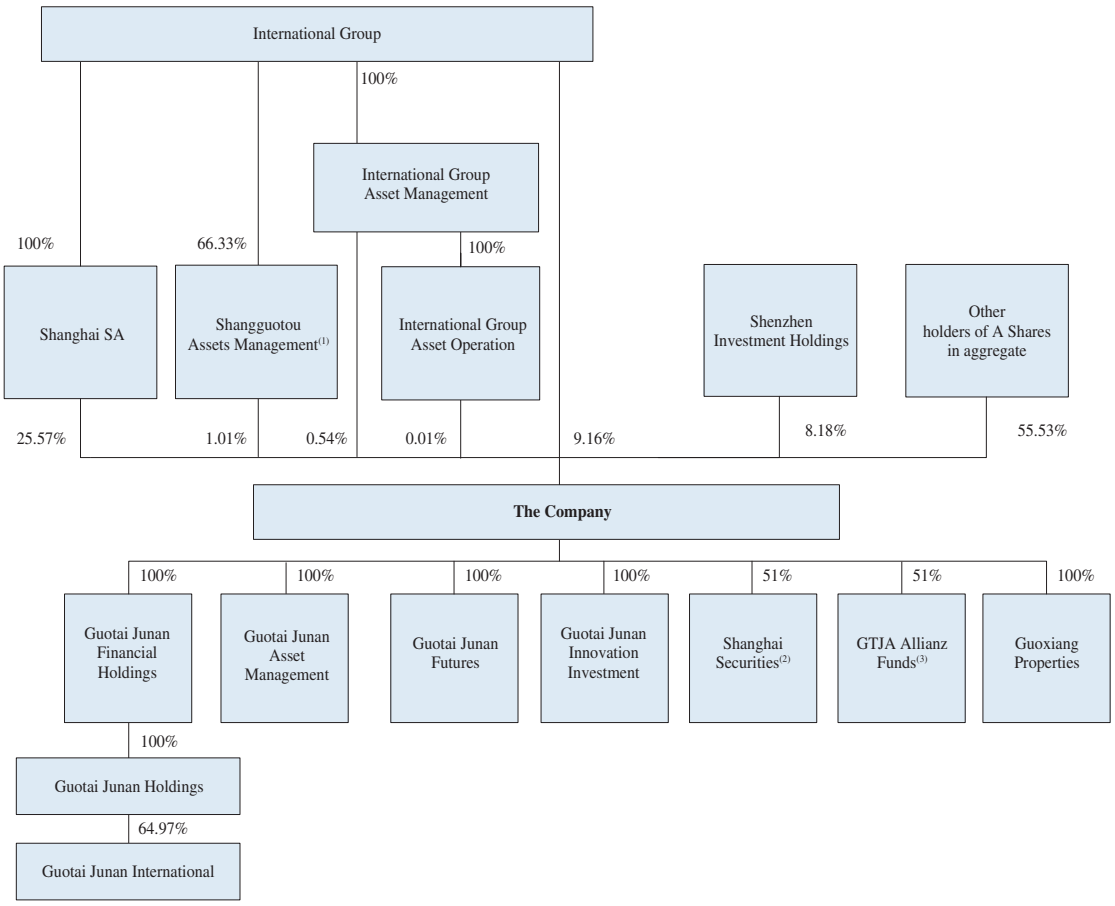
On December 21, 2016, the Main Board Issuance Examination Committee of the CSRC has reviewed and approved the CB Issuance. As of the Latest Practicable Date, the CB Issuance is still pending final approval by the CSRC. Pursuant to the relevant PRC laws, regulations and rules, the Convertible Bonds shall be issued within six months upon the approval of the CSRC. For further details of the CB Issuance, see "*Share Capital*".

Reasons for the Listing on the Hong Kong Stock Exchange

We are seeking to list our H Shares on the Hong Kong Stock Exchange in order to raise capital for business development, advance our international strategies and further enhance our corporate governance. For further details, please see "*Business—Business Strategies*" and "*Future Plans and Use of Proceeds*".

Shareholding structure immediately prior to the [REDACTED]

The following chart sets forth our simplified shareholding structure and key subsidiaries as of the Latest Practicable Date:



Notes:

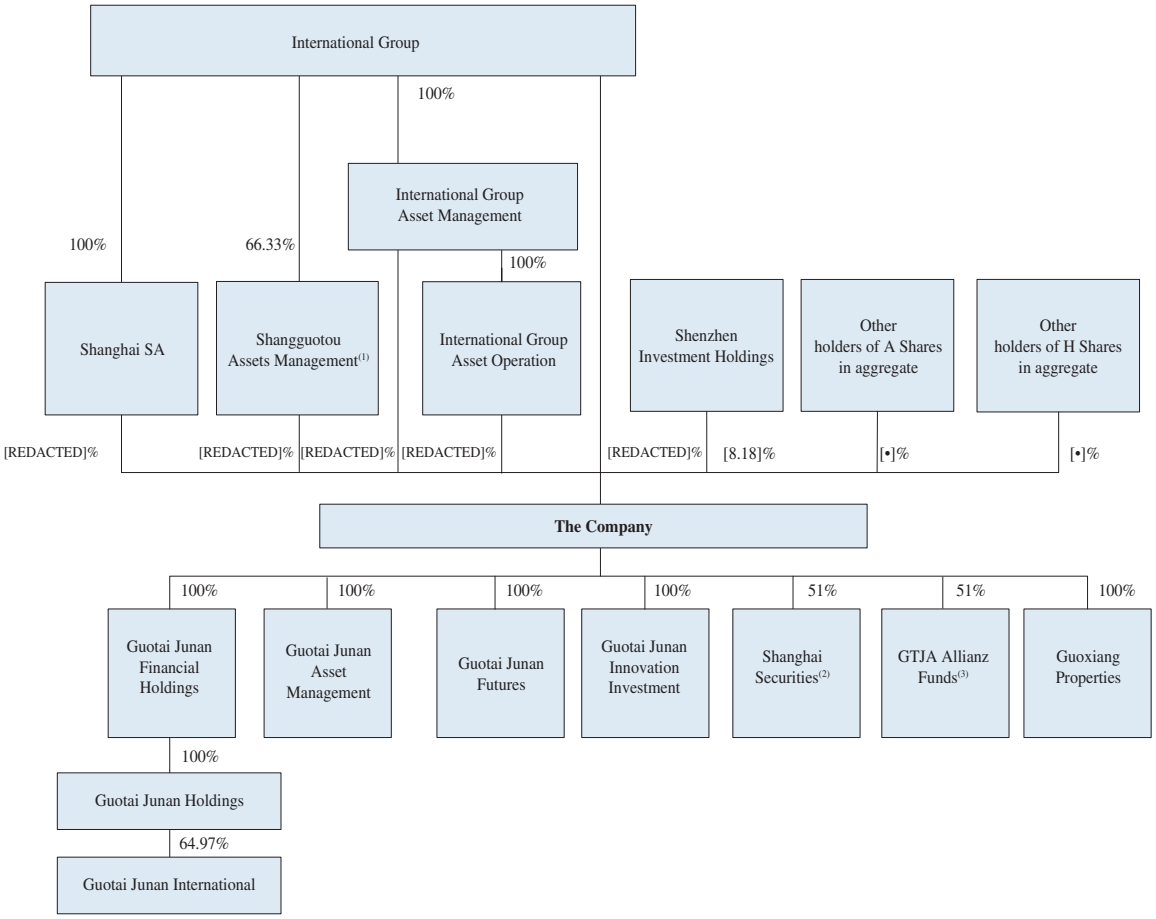
(1) Due to the spin-off of Shangguotou Assets Management from Shanghai Trust as approved by the CBRC in February 2015, the entire 1.01% A Shares held by Shanghai Trust are currently undergoing the process to be transferred to Shangguotou Assets Management. Pursuant to the agreement between the parties, all rights, benefits and obligations of such A Shares have been assigned to Shangguotou Assets Management since June 30, 2014.

(2) The remaining 49% of the equity interest of Shanghai Securities was owned as to 33.33% by Shangguotou Assets Management and 15.67% by International Group.

(3) The remaining 49% of the equity interest of GTJA Allianz Funds was owned by Allianz AG, an Independent Third Party.

Shareholding structure immediately following completion of the [REDACTED]

The following chart sets forth our simplified shareholding structure immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised):



Notes:

(1) Due to the spin-off of Shangguotou Assets Management from Shanghai Trust as approved by the CBRC in February 2015, the entire [0.87%] A Shares held by Shanghai Trust are currently undergoing the process to be transferred to Shangguotou Assets Management. Pursuant to the agreement between the parties, all rights, benefits and obligations of such A Shares have been assigned to Shangguotou Assets Management since June 30, 2014.

(2) The remaining 49% of the equity interest of Shanghai Securities was owned as to 33.33% by Shangguotou Assets Management and 15.67% by International Group.

(3) The remaining 49% of the equity interest of GTJA Allianz Funds was owned by Allianz AG, being an Independent Third Party.

OVERVIEW

We are an enduring, consistent and all-round leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, we have weathered many industry cycles while forging ahead to establish a comprehensive industry-leading position. From 2007 to 2015, our net profit attributable to equity holders of the Company ranked among the top three in the industry for nine consecutive years, and our operating revenue ranked among the top three in the industry for seven out of the nine years. Both our operating revenue and net profit attributable to equity holders of the Company ranked second in the industry for the nine months ended September 30, 2016.

We are committed to achieving quality growth and maintaining a balance among business scale, profitability and risk management. Our average return on net assets for the nine years from 2007 to 2015 was 19.7%, significantly higher than the industry average of 15.4%. We are the only one among the Top Five Securities Companies in the PRC to have attained the regulatory rating of Class A Grade AA from the CSRC for nine consecutive years. Class A Grade AA is the highest rating ever attained by any securities company to date.

For 2014, 2015 and the nine months ended September 30, 2016, our total revenue and other income was RMB24,403.1 million, RMB52,108.8 million and RMB27,912.3 million, respectively, and our profit for the year/period attributable to equity holders of the Company for the same periods was RMB6,757.9 million, RMB15,700.3 million and RMB7,646.5 million, respectively. As of September 30, 2016, our total equity attributable to equity holders of the Company was RMB97,495.5 million and our total assets was RMB386,028.1 million.

We derive our success from a consensus of our culture among our employees, and the continuous implementation of such culture:

- **Our Value: We regard our clients as our first priority and balance the interests of all stakeholders.** We prioritize our clients and aim to create value for them through our professional services. We believe that we can only further the interests of our Shareholders and employees through creating value for our clients. We also believe that the pursuit of long-term goals can lead to the achievement of short-term objectives, and we are committed to striking a balance between business scale and profitability.

- **Our Approach to Profession: We adopt a culture of risk management and excellence.** We believe that risk management creates value and future development relies on compliant operations. We seek to identify the best people for all positions, and to provide the best quality services and deliver the best results to our clients.

- **Our People Culture: We are a people business and we promote collaboration and cooperation.** We view our employees as the cornerstone of our survival and growth. We place strong emphasis on our culture and heritage. We give our best employees opportunities for career advancements. Our people culture is based on both shared responsibilities and shared rewards.

- **Our Code of Conduct: We excel by innovation and cherish our reputation.** We believe that innovation is the driver for our future growth and the key to a sustainable leading position. We always cultivate a sense of crisis and take forward-looking and preemptive actions. We cherish our reputation, honor professional ethics, and commit to our status as a well-respected company.

Our vision is to become an integrated financial services provider with roots in China, global coverage and strong influence. Leveraging our strong competitive advantage in the PRC, we will promote our internationalization by building up our global network and international execution capabilities, so that we can meet our clients' demand for cross-border financial services.

The following table sets forth our business segments:

Institutional Finance		**Personal Finance**	**Investment Management**	**International Business**
Investment Banking	***Institutional Investor Services***			
• Equity financing • Debt financing • Financial advisory	• Prime brokerage • Sales and trading • Securities-backed financing • Research	• Retail brokerage • Margin financing and securities lending • Wealth management	• Asset management • Fund management • Direct investment	• Brokerage • Corporate finance • Asset management • Loans and financing • Financial products, market making and investments

- **Institutional Finance:** Our institutional finance business comprises investment banking and institutional investor services. We strive to capture market opportunities through collaboration between these two business lines:

  - Our investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and government clients;

  - Our institutional investor services business provides prime brokerage, sales and trading, securities-backed financing and research services to institutional investors. We also conduct proprietary trading in equities, derivative financial instruments and FICC;

- **Personal Finance:** Our personal finance business provides, through both offline and online channels, securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services;

- **Investment Management:** Our investment management business provides asset management and fund management services to institutions and individuals, and also includes our direct investment business; and

- **International Business:** We conduct brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong mainly through Guotai Junan International. Meanwhile, we have also built an international business platform around Guotai Junan Financial Holdings. We have expanded our business presence into the United States and Singapore.

COMPETITIVE STRENGTHS

We believe that by capitalizing upon the following competitive strengths, we will continue to seize the growth opportunities in the PRC capital markets and maintain our enduring, consistent and all-round leadership position.

Deeply Rooted Culture of Risk Management and Excellence

We firmly believe that risk management is the core competency of securities companies. We have established a comprehensive and effective risk management and internal control system. As of September 30, 2016, our compliance and risk management team accounted for 5.73% of our total employees. This team is embedded in our business divisions and holds the authority to review and approve all strategic and day-to-day business decisions. The risk management personnel for our key business functions have relevant work experience in various business departments. Their in-depth understanding of our business is conducive to preventing risk events. Meanwhile, we use advanced risk management tools and technologies to manage the Company's overall risk exposures in a proactive way by layered authorization, quantitative management and real-time monitoring and analysis. Compliance and risk management is also an important factor for determining the promotion and remuneration of our employees. Our comprehensive and effective risk management and internal control system has helped us attain excellent regulatory ratings from the CSRC. We are the only one among the Top Five Securities Companies in the PRC to have attained the regulatory rating of Class A Grade AA for nine consecutive years. Class A Grade AA is the highest rating ever attained by any securities company to date.

Our culture of excellence is embedded in our day-to-day management and operations, and is well reflected in our talent selection and our approach to client services:

- We are committed to identifying the best people for all positions. We have a rigorous talent development system. We tend to promote people internally to lead our business divisions in order to best inspire teamwork and pass on our corporate culture. As of September 30, 2016, 57.3% of our management team at middle level or above have been working with us for ten years or more. We have also established a large external talent database to continuously track the most talented individuals in the market to complement and enhance our team. As a result of the market reputation of our high-caliber team, good career development paths and a market-oriented incentive system, our employees are proud to work for us. As of September 30, 2016, 62.9% of our employees have been with us for more than three years. Our workforce has remained stable over the past few years, with an average annual employee turnover rate of only 9.5% for the Track Record Period;

- We are committed to providing the highest quality services to and achieving the best results for our clients. We gain trust from our clients through high quality services, which is crucial to enhancing the loyalty of existing clients, expanding our client base and maintaining our premium pricing. For example, since 2014, we have served on two or more mandates for 121 of our investment banking clients, averaging more than three mandates per client. Our quality services have built up an excellent reputation in the industry, and our personal finance client accounts grew at a CAGR of 37.7% from 4.8 million as of December 31, 2014 to 8.4 million as of September 30, 2016. In addition, we enjoy a distinctive pricing premium for many of our services. Our commission rate for securities brokerage is consistently higher than the industry average. For example, for the nine months ended September 30, 2016, our average stocks and funds brokerage net commission rate was 4.72 basis points, 21.0% higher than the industry average.

We firmly believe that our culture of risk management and of excellence is deeply rooted among our employees and is the most fundamental factor that has made us an enduring and consistent leader in the PRC securities industry.

All-round Leader in the PRC Capital Markets

We are a consistent leader in terms of business scale. From 2011 to 2015, our operating revenue, net profit attributable to equity holders of the Company and total assets ranked among the top three in the industry for five consecutive years. For the nine months ended September 30, 2016, both our operating revenue and net profit attributable to equity holders of the Company ranked second in the industry. Our various businesses achieved comprehensive and balanced growth and were among the top in the securities industry:

Institutional Finance

Investment Banking

- Ranked third in terms of cumulative net revenue from investment banking business in 2014 and 2015

- Ranked second in terms of cumulative equity underwritten amount during the Track Record Period; ranked second in terms of cumulative underwritten amount for equity refinancing during the same period

- Ranked third in terms of cumulative debt underwritten amount during the Track Record Period; ranked second in terms of cumulative underwritten amount for corporate bonds during the same period

Institutional Investor Services

- Ranked second in terms of cumulative revenue from securities investment in 2014 and 2015
- Ranked third in terms of cumulative revenue from trading seat leasing in 2014 and 2015
- Ranked third in terms of outstanding balance of stock-pledged financing as of September 30, 2016
- Ranked second in the securities company custody industry in terms of balance of assets under custody from mutual funds as of September 30, 2016
- Received First Prizes for Best Domestic Research Teams, for Most Influential Research Institutes and for Best Overseas Sales and Services Team of New Fortune Best Analysts Awards in 2016

Personal Finance

- Ranked first in terms of cumulative net revenue from securities brokerage business in 2014 and 2015
- Ranked third and first in terms of cumulative trading volume of our stocks and funds brokerage business and cumulative trading volume of our bonds brokerage business, respectively, during the Track Record Period
- Ranked first in terms of the balance of client transaction settlement funds as of December 31, 2015
- Ranked second in terms of the number of securities branches as of September 30, 2016
- Ranked second in terms of the number of investment advisers as of September 30, 2016
- Ranked second both in terms of cumulative interest income from margin financing and securities lending in 2014 and 2015 and in terms of balance of margin financing and securities lending as of September 30, 2016
- Ranked first in terms of cumulative revenue from futures brokerage business during the Track Record Period
- Ranked second in terms of cumulative trading volume of treasury bond futures during the Track Record Period
- Ranked third in terms of cumulative trading volume of stock market index futures during the Track Record Period

Investment Management

- Ranked third in terms of cumulative net revenue from asset management business in 2014 and 2015
- Ranked fourth in terms of balance of AUM as of December 31, 2015
- Ranked third in terms of balance of asset under discretionary management as of December 31, 2015
- Ranked third in terms of volume of enterprise asset-backed securities issued in 2015

International Business

- Ranked third among PRC securities companies in Hong Kong in terms of the number of IPOs underwritten in Hong Kong during the Track Record Period

Our leading positions in our business lines have led to our outstanding brand as well as abundant cross-selling opportunities. Leveraging our clients' recognition of our high quality one-stop integrated services, we are able to capture a larger share of revenue in the market. In addition, our diversified businesses have resulted in a more stable revenue structure that can help mitigate the impact of market volatility.

In addition to the pursuit of business scale and industry ranking, we also emphasize the quality of business growth as well as the control of risk exposure:

- With respect to our investment banking business, we impose a rigorous criterion for selecting clients and do not expand our business hastily;
- With respect to our securities brokerage and asset management businesses, we focus on providing value-added services. Although the trading volume of our stocks and funds brokerage business for 2015 ranked third in the industry and the balance of our AUM as of December 31, 2015 ranked fourth in the industry, our net revenue from these two businesses for 2015 ranked first and second, respectively, in the industry; and
- With respect to our margin financing and securities lending business, we adjusted our exposure ahead of our peers in the volatile market during the first half of 2015. As a result, we did not incur loss from forced liquidation in 2015.

The balance we strike between business scale and quality has enabled us to consistently achieve better capital utilization and return on net assets than the industry averages. Our net assets as of September 30, 2016 ranked third in the industry, while both our operating revenue and net profit attributable to equity holders of the Company for the nine months ended September 30, 2016 ranked second in the industry. Our average return on net assets for the nine years from 2007 to 2015 was 19.7%, significantly higher than the industry average of 15.4%.

Pioneer of Technology and Innovation in the PRC Securities Industry

We believe that IT is critical to the future growth of securities companies. We make strategic investments in IT and continuously promote proprietary IT innovation. We are a frontrunner in the application of IT in the securities industry:

- In 2003, we were the first securities company in the industry to implement centralized trading, centralized risk management and centralized financial management;

- The SAC has granted Securities and Futures Industry Technology Awards to 14 of our technological achievements, making us the most frequent recipient of this award and the only securities company to receive the first prize of this award; and

- In 2014, we established a new data center, which is the only high grade, high capacity and independent data center park in the securities industry. When the daily trading volume of stocks and funds of the market increased sharply to nearly RMB2.5 trillion in 2015, our ability to process 50,000 transactions per second ensured efficient trading, clearing and settlement. Currently, our data center supports 200,000 transactions per second and is expected to support RMB10 trillion daily trading volume of stocks and funds of the market.

In recent years, our IT management capabilities have been widely recognized. We obtained the CMMI3, ISO20000 and ISO27001 international standard certifications, and are the only PRC securities company that has all of these IT certifications.

We proactively deploy leading information technologies to guide our business decisions, enhance client experience and improve our management capabilities:

- We have built client profiles with more than 500 labels and accurately analyze them to guide the formulation of our strategies in key areas such as brokerage commission rate, business network structure, new product design as well as investment and financing product promotion;

- Our mobile app has rich functions that focus on strengthening the Internet experience, providing intelligent analysis tools and delivering tailored investment advice and financial services to clients. These app functions, based on big data analysis, also enhance the capabilities of our clients in stock selection, market timing, asset allocation and risk management, and their abilities in investment and wealth management. As of September 30, 2016, there are more than ten million users of our mobile app; and

- Our advanced financial management information system and risk management information system timely track our financial data, liquidity data, risk exposure and various risk management indicators. This tracking allows us to monitor and report on a daily basis the asset allocation, business scale and risk limits of each business line, enables our management to timely respond to changes and provides solid support for the stable operation of our business.

Innovation is a key pillar of our industry-leading position. The sense of crisis and forward-thinking mentality of our management enable us to capture market trends with first-mover advantages:

- *Investment banking business:* we have pioneered a number of new products and new deal structures in the PRC market, including the first domestic entire enterprise listing through share conversion and merger by absorption, the first warrant issuance, the first credit assets securitization, the first corporate assets securitization, the first commercial bank hybrid capital bond issuance and the first preferred share issuance;

- *Institutional investor services business:* we were the first securities company to establish a securities research institute and to set up a comprehensive prime brokerage service system. In addition, we were the first in the industry to obtain the Shanghai Gold Exchange International Class A membership, one of the first batch of companies to become a precious metal spot contract broker and to obtain the accounting settlement business qualification in the China (Shanghai) Pilot Free-Trade Zone, the only securities company to obtain the foreign exchange settlement and sales business license and formed an industry-leading FICC business system;

- *Personal finance business:* we were among the first batch of securities companies to obtain the margin financing and securities lending pilot qualification and the financial futures and options brokerage qualification, and were also the first securities company to obtain a payment license. We began to shift from the traditional securities brokerage business model towards a comprehensive wealth management business model as early as 2011. In 2015, through the provision of comprehensive financial services, the revenue the securities branches of the Company generated from businesses other than ordinary brokerage business accounted for 36.8% of the total revenue of such branches;

- *Investment management business:* we were among the first in the industry to establish an asset management subsidiary and to obtain the bond-pledged quotation and repurchase business qualification. We successfully applied arbitrage strategies and structured products to client asset management as early as 2003. We also launched the first hedge fund product, the first statistical arbitrage product and the first broker classified hedging product in China; and

- *International business:* we were among the first in the industry to provide our clients with an online trading platform and online overseas trading system. As of the Latest Practicable Date, our global "one-stop" online trading platform supports trading in eight securities markets and over 20 global futures and foreign exchange markets. We are also among the first in the industry to obtain the RQFII qualification and the first securities company to issue RQFII products. Moreover, we acted as a sponsor for the first H share listing of an A share-listed company, a sponsor for the first H share listing of an A share- and B share-listed company, and the sole sponsor for the first conversion of B shares into H shares and listing.

Continuous innovation has brought us further diversified income growth. The ratio of Revenue from Innovative Businesses to our total revenue and other income increased from 30.3% in 2014 to 38.9% for the nine months ended September 30, 2016.

BUSINESS STRATEGIES

We aim to be an integrated financial services provider with an all-round leading position in China and international competitiveness. In particular, we plan to implement the following business strategies:

Institutional Finance: Providing Integrated Financial Solutions to Institutional Clients

We intend to enhance our integrated institutional financial service system based on the three dimensions of client, sector and product. We will moderately expand our balance sheet and grow our capital intermediary business, to better meet the needs of our institutional clients.

- Client: Our account manager team is critical to the development of our integrated financial services business. We intend to institutionalize client relationship with multi-point coverage of the same institutional client. Our account manager team is responsible for exploring client needs and leading the sector and product teams to provide tailored services;

- Sector: Organizing our businesses by sector is the key to enhancing our professional competence and market influence. We implement this initiative across our investment banking, research and sales and trading businesses. This will help us identify key industries and corporate clients, enhance our ability to provide professional advice to our clients and strengthen our pricing and sales capabilities;

- Product: Enhancing product development capability is the basis for us to provide our clients with value-added services. By taking the lead in obtaining the relevant business licenses, we have built a new FICC business platform and can provide high value-added trading and risk management services to our institutional investor clients and customized solutions to our corporate clients.

Personal Finance: Enhancing Client Stickiness

Client stickiness is the key to the effective expansion of our client base. We intend to enhance client experience and stickiness through investing in financial technologies, enhancing our products pool and upgrading our integrated wealth management service system:

- We will increase investment in the use of financial technologies such as big data and artificial intelligence through proprietary development and acquisitions to provide our clients with bespoke services;

- We will improve our product development, product introduction and product evaluation system. We will also establish a multi-asset class, multi-market and multi-strategy product pool, and strengthen our ability to customize investment portfolios for our clients;

- We will optimize and upgrade our integrated financial service model that combines online and offline channels. We will also improve our online platform which integrates our comprehensive services such as trading, wealth management, financing and payment, and further enhance the service of our investment adviser team for high-end clients.

Investment Management: Expanding AUM

Expanding our AUM will result in not only significant brand and market influence, but also strong bargaining power and opportunities for additional revenue. We intend to expand the scale of our AUM through the following steps:

- We will grow the scale of our AUM through inorganic growth and improve our multi-tiered and multi-product asset management system;

- We will rapidly expand our high-value-added and non-discretionary funds focusing on fixed income funds, asset-backed securities and FOF asset management products; and

- We will expand our direct investment business and form an asset management product system centered around sectors.

International Business: Focusing on the Demand of Domestic Clients for Global Asset Allocation

Leveraging our large domestic client base, we are committed to the growth of the following businesses which we believe have great growth potential:

- International asset management business: We intend to build a cross-border asset management platform through strategic cooperation to rapidly enhance our product development capability;

- Global securities brokerage services: We intend to improve our advanced global brokerage service technology platform to meet the significant demand of domestic clients for overseas discretionary investment, and meet the needs of our institutional investor clients for professional trading;

- Cross-border M&A services: We intend to connect domestic capital and overseas projects by providing financial advisory, financing and risk management services through organic growth or strategic cooperations with leading international investment banks.

OUR PRINCIPAL BUSINESS LINES

We have established a comprehensive and balanced combination of businesses. Through our matrix management structure with both geographic line and business line reporting, we integrate the diverse businesses, products and service offerings, provide comprehensive financial services to institutional, corporate and individual clients, and promote cooperation and cross-selling across our business lines and between our domestic and overseas businesses.

The following table sets forth a breakdown of our total revenue and other income by principal business lines for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2014		2015		2015		2016	
					(unaudited)			
	(RMB in millions, except for percentages)							
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Institutional finance	9,247.5	37.9%	16,061.6	30.8%	11,637.9	28.9%	8,987.6	32.2%
Personal finance	12,023.1	49.3%	31,122.4	59.7%	24,965.4	62.0%	11,564.3	41.4%
Investment management	1,450.3	5.9%	2,610.8	5.0%	1,896.0	4.7%	5,037.2	18.0%
International business	1,384.6	5.7%	2,003.8	3.8%	1,470.7	3.7%	1,698.7	6.1%
Others[(1)]	297.6	1.2%	310.1	0.6%	270.5	0.7%	624.5	2.2%
Total	**24,403.1**	**100.0%**	**52,108.8**	**100.0%**	**40,240.5**	**100.0%**	**27,912.3**	**100.0%**

(1) Segment total revenue and other income from others primarily consist of government grant.

Institutional Finance

Our institutional finance business comprises investment banking and institutional investor services businesses in the PRC. The following table sets forth a breakdown of our total revenue and other income from institutional finance business for the periods indicated.

	Year ended December 31,				Nine months ended September 30,			
	2014		2015		2015		2016	
					(unaudited)			
	(RMB in millions, except for percentages)							
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Investment banking	1,488.6	16.1%	3,002.1	18.7%	1,616.3	13.9%	2,377.6	26.5%
Institutional investor services	7,758.9	83.9%	13,059.5	81.3%	10,021.6	86.1%	6,610.0	73.5%
Total	**9,247.5**	**100.0%**	**16,061.6**	**100.0%**	**11,637.9**	**100.0%**	**8,987.6**	**100.0%**

Investment Banking

Our investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and government clients. Our investment banking business covers all major PRC regions and all major industries. In particular, we have accumulated extensive experience in the finance, energy, infrastructure, IT, consumer goods and healthcare industries. We also focus on emerging industries and closely track companies with significant growth potential in those industries. According to the SAC, we ranked fifth and third in terms of net revenue from investment banking business in 2014 and 2015, respectively.

Our investment banking business has a solid client base. We focus on building and maintaining long-term relationships with, and provide one-stop, full life cycle investment banking services to, our corporate clients. Through close coordination between our M&A advisory business and our equity and debt financing businesses, we develop deep relationship with our clients, satisfy their various needs, and grow together with them. During the Track Record Period, we completed 594 investment banking mandates for 344 clients.

We have built up high client loyalty with our investment banking clients. During the Track Record Period, we completed two or more mandates per client for 121 investment banking clients, averaging more than three mandates per client. The following table sets forth a breakdown of these clients by number of mandates completed:

Number of Mandates	Number of Clients	Aggregate Number of Mandates	Aggregate Deal Value
			(RMB in millions)
2-3	93	211	306,696.1
4-6	21	97	118,979.9
Over 7	7	63	116,133.8
Total	**121**	**371**	**541,809.7**

We highly value our continuous innovation in the investment banking business and have maintained a leading position in terms of innovation capabilities. The following table sets forth the significant achievements by our investment banking business, which were "first" of a kind:

Year	Issuer	Highlights
2014	Agricultural Bank of China Limited	First preferred share issuance in the PRC
2012	China International Marine Containers (Group) Co., Ltd.	First conversion of B shares into H shares and listing
	China Communications Construction Company Limited	First merger by absorption of an A share listed company through issuance of A shares by an H share listed company and concurrent secondary offering
2008	China Zheshang Bank Co., Ltd.	First asset securitization based on small and medium enterprises mortgage loans in the PRC
2006	Industrial and Commercial Bank of China Limited	First A shares and H shares concurrent listing
	Industrial Bank Co., Ltd.	First hybrid capital bond issuance by a commercial bank in the PRC
	Shanghai International Port (Group) Co., Ltd.	First listing of the entire enterprise through share conversion and merger by absorption after the PRC Shareholders structure reform

Year	Issuer	Highlights
	Shanghai Pudong Road & Bridge Construction Co., Ltd.	First corporate asset securitization in the PRC
2005	Baoshan Iron & Steel Co., Ltd	First warrant issuance as part of the PRC shareholders structure reform
	China Development Bank Corporation	First credit asset securitization in the PRC
1999	Sinopec Maoming Refining and Chemicals Co., Ltd.	One of the first convertible bond issuances in the A share market

We have earned an excellent market reputation and influence. The following table sets forth major awards our investment banking business and investment banking team received during the Track Record Period:

Year	Award	Awarding Body
2016	Outstanding Investment Bank in China - Best Full-service Investment Bank for Securities, Best Investment Bank for Refinancing, Best Investment Bank for M&A	Securities Times
	Outstanding Corporate Bond Underwriter	Shanghai Stock Exchange
2015	Outstanding Investment Bank in China - Best Full-service Investment Bank for Securities, Best Underwriting Team for Debt Financing	Securities Times
	Best Investment Bank in China - the Most Innovative Investment Bank, the Best Investment Bank for Asset Securitization	New Fortune
	Outstanding Innovation Institution for Bond Business, Outstanding Bond Dealer, Outstanding Treasury Bond Pre-issuance Dealer	Shanghai Stock Exchange
2014	Outstanding Investment Bank in China - Best Full-service Investment Bank, Best Equity Financing Team, Best Debt Financing Underwriting Team	Securities Times

The following table sets forth a breakdown of our total revenue and other income from our investment banking business by business lines for the periods indicated:

	Year ended December 31,				Nine months ended September 30,	
	2014		2015		2016	
	(RMB in millions, except for percentages)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Equity Financing	572.0	38.4%	992.1	33.0%	753.8	31.7%
Debt Financing	684.9	46.0%	1,424.5	47.5%	1,265.6	53.2%
Financial Advisory	192.7	12.9%	409.8	13.6%	251.0	10.6%
Others	39.0	2.6%	175.7	5.9%	107.2	4.5%
Total	**1,488.6**	**100.0%**	**3,002.1**	**100.0%**	**2,377.6**	**100.0%**

As of September 30, 2016, our investment banking team comprised 489 employees, including 89 sponsor representatives.

Equity Financing

Our equity financing business primarily comprises IPOs, refinancing and preferred share issuances. In response to our corporate clients' profiles and their differentiated requirements with respect to equity and capital structures, we offer various equity financing instruments and financial services to address their demand for equity capital at different stages of their life cycle. According to Wind Info, we ranked second in the industry in terms of aggregated amount of equity underwritten during the Track Record Period.

While actively developing our IPO business, we are committed to the development of high value-added services. We focus on exploring refinancing needs for our IPO clients and M&A clients, and emphasize refinancing mandates including private placements, rights issuances and convertible bond issuances, as well as preferred share issuances. As a result, we are able to maintain the diversity of our equity financing products. According to Wind Info, we ranked second in the industry in terms of cumulative amount of equity refinancing underwritten for the Track Record Period.

The following table sets forth an overview of our equity financing business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
	(RMB in millions, except for the number of transactions)		
IPOs			
Number of transactions	4	4	5
Underwritten amount	3,529.1	2,723.4	2,398.6
Revenue from sponsoring and underwriting	263.5	192.5	182.0
Refinancing			
Number of transactions	16	44	27
Underwritten amount	21,284.9	70,561.1	47,261.3
Revenue from sponsoring and underwriting	294.6	769.9	542.7
Preferred shares issuance			
Number of transactions	2	3	3
Underwritten amount	8,000.0	17,000.0	20,666.7
Revenue from sponsoring and underwriting	13.9	29.7	29.1
Equity financing in total			
Number of transactions	22	51	35
Underwritten amount	32,814.0	90,284.5	70,326.6
Revenue from sponsoring and underwriting	572.0	992.1	753.8

The following table sets forth the equity financing transactions with offering size of RMB5,000.0 million or above in which we acted as a lead underwriter during the Track Record Period:

Year	Issuer	Offering Size (RMB in millions)	Type of Financing
2016	Bank of Communications Co., Ltd.	45,000.0	Preferred shares issuance
	Huaxia Bank Co., Ltd.	20,000.0	Preferred shares issuance
	Ping An Bank Co., Ltd.	20,000.0	Preferred shares issuance
	Bank of Shanghai Co., Ltd.	10,670.0	IPO
	Biocause Industry Group Co., Ltd.	9,850.0	Refinancing
	Changjiang Securities Co., Ltd.	8,310.7	Refinancing
2015	Industrial and Commercial Bank of China Co., Ltd.	45,000.0	Preferred shares issuance
	Agricultural Bank of China Co., Ltd.	40,000.0	Preferred shares issuance
	Inner Mongolia Baogang Union Co., Ltd.	29,800.0	Refinancing
	Shanghai Pudong Development Bank Co., Ltd.	15,000.0	Preferred shares issuance
	HUAYU Automotive Systems Co., Ltd.	8,970.0	Refinancing
	Sinopec Oilfield Services Co., Ltd.	6,000.0	Refinancing
	TCL Group Co., Ltd.	5,700.7	Refinancing
	Shandong Iron & Steel Group Co., Ltd.	5,000.0	Refinancing
	Xinhu Zhongbao Co., Ltd.	5,000.0	Refinancing
2014	Agricultural Bank of China Co., Ltd.	40,000.0	Preferred shares issuance
	Shanghai Pudong Development Bank Co., Ltd.	15,000.0	Preferred shares issuance
	Hunan Dakang International Food & Agriculture Co., Ltd.	5,000.0	Refinancing

Debt Financing

We have a strong debt financing business. We are a leader among domestic securities companies with the largest collection of debt financing business qualifications. We are a member of the MOF underwriting syndicate for treasury bonds as well as the underwriting syndicate for financial bonds issued by the Three Policy Banks. We are qualified to lead the underwriting of various debt financing instruments including enterprise bonds, corporate bonds, financial bonds and private placement notes by non-financial enterprises. We also acted as a lead underwriter for many large debt securities offerings by China Railway Corporation, State Grid Corporation of China, China National Petroleum Corporation, China Petrochemical Corporation and State Development & Investment Corporation. We proactively leverage the market trend of proliferating debt financing instruments and lead in the underwriting of innovative bond instruments including asset-backed securities, green financial bonds and panda bonds. According to Wind Info, we ranked third in the industry in terms of aggregated amount of debt underwritten for the Track Record Period.

The table below sets forth an overview of our debt financing business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
	(RMB in millions, except for the number of transactions)		
Corporate bonds			
Number of transactions	13	45	147
Underwritten amount	7,880.0	70,116.7	150,025.3
Revenue from underwriting	25.3	575.1	806.5
Financial bonds			
Number of transactions	6	15	17
Underwritten amount	9,400.0	37,503.3	79,800.0
Revenue from underwriting	30.5	89.2	157.8
Enterprise bonds			
Number of transactions	42	34	16
Underwritten amount	51,240.1	46,234.0	19,285.0
Revenue from underwriting	409.4	236.6	89.1
Private Placement Notes by Non-financial Enterprises			
Number of transactions	18	21	11
Underwritten amount	11,340.0	14,115.0	3,730.0
Revenue from underwriting	122.2	134.1	35.1

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
	(RMB in millions, except for the number of transactions)		
Asset-backed securities			
Number of transactions	12	23	11
Underwritten amount	23,611.0	38,731.2	13,750.5
Revenue from underwriting	31.3	60.9	26.4
Others (1)			
Number of transactions	13	40	26
Underwritten amount	4,680.0	24,475.0	17,549.0
Revenue from underwriting	66.2	328.6	150.7
Debt financing in total			
Number of transactions	104	178	228
Underwritten amount	108,151.1	231,175.2	284,139.8
Revenue from underwriting	684.9	1,424.5	1,265.6

Note:

(1) Others include small and medium enterprise private placement bonds, short-term financing bills, medium-term notes and exchangeable bonds.

During the Track Record Period, we have captured the regulatory and market trends and focused on the development of corporate bonds and financial bonds business. From 2014 to 2015, the amount of these bonds we underwrote achieved a growth of 789.8% and 299.0%, respectively. According to Wind Info, we ranked second and fourth in the industry, respectively, in terms of aggregated amount of corporate bonds and financial bonds underwritten for the Track Record Period.

The following table sets forth the debt financing transactions with offering size of RMB5,000.0 million or above in which we acted as a lead underwriter during the Track Record Period:

Year	Issuer	Issuance Size	Type of Financing
		(RMB in millions)	
2016	Shanghai Pudong Development Bank Co., Ltd.	50,000.0	Financial bonds
	Huaxia Bank Co., Ltd.	40,000.0	Financial bonds
	China Railway Co., Ltd.	20,000.0	Bonds issued by government-backed agencies
	State Power Investment Corporation	17,000.0	Corporate bonds

Year	Issuer	Issuance Size (RMB in millions)	Type of Financing
	China Cinda Asset Management Co., Ltd.	10,000.0	Financial bonds
	Evergrande Real Estate Group Co., Ltd.	10,000.0	Corporate bonds
	Country Garden Holdings Company Limited	5,830.0	Corporate bonds
	Suning Group Co., Ltd.	5,800.0	Corporate bonds
	Sany Group Co., Ltd.	5,350.0	Exchangeable bonds
	Shanghai Lujiazui (Group) Co., Ltd.	5,000.0	Corporate bonds
	Baoshang Bank Co., Ltd.	5,000.0	Financial bonds
	China Resources Power Investment Co., Ltd.	5,000.0	Corporate bonds
	Bank of Changsha Co., Ltd.	5,000.0	Financial bonds
	China Southern Power Grid Co., Ltd.	5,000.0	Corporate bonds
	Sunac Real Estate Group Co., Ltd.	5,000.0	Corporate bonds
2015	China Railway Co., Ltd.	135,000.0	Bonds issued by government-backed agencies
	Evergrande Real Estate Group Co., Ltd.	37,500.0	Corporate bonds
	Shanghai Pudong Development Bank Co., Ltd.	30,000.0	Financial bonds
	Bank of Communications Co., Ltd.	30,000.0	Financial bonds
	China Construction Bank Co., Ltd.	24,000.0	Financial bonds
	Suning Group Co., Ltd.	10,000.0	Corporate bonds
	Huishang Bank Co., Ltd.	8,000.0	Financial bonds
	Xinhu Zhongbao Co., Ltd.	5,000.0	Corporate bonds
	Baoshang Bank Co., Ltd.	5,000.0	Financial bonds
	Shanghai Guosheng (Group) Co., Ltd.	5,000.0	Exchangeable bonds

Year	Issuer	Issuance Size	Type of Financing
		(RMB in millions)	
2014	China Railway Co., Ltd.	130,000.0	Bonds issued by government-backed agencies
	Bank of Communications Co., Ltd.	28,000.0	Financial bonds
	State Grid Corporation of China	10,000.0	Enterprise bonds
	China Jingu International Trust Co., Ltd.	7,693.0	Asset-backed securities
	China Southern Power Grid Co., Ltd.	5,000.0	Enterprise bonds
	Changjiang Securities Co., Ltd.	5,000.0	Financial bonds

Financial Advisory

Our financial advisory business focuses on corporate M&A and asset restructuring. Since the SAC began to conduct appraisals for securities companies' professional capabilities to offer financial advisory services for M&A and asset restructuring by listed companies in 2013, we have attained Class A qualification for four consecutive years from 2013 to 2016. In 2014, 2015 and the nine months ended September 30, 2016, revenue from our financial advisory business was RMB192.7 million, RMB409.8 million and RMB251.0 million, respectively.

The following table sets forth the M&A transactions with deal value of RMB5,000.0 million or above on which we advised during the Track Record Period:

Year	Acquirer	Target	Deal value
			(RMB in millions)
2016	Zhejiang CHNT Electrics Co., Ltd.	86.0% equity interest in CHNT New Energy Development Co., Ltd.; 100% equity interest in Leqing Xiangru Investment Co., Ltd.; 100% equity interest in Leqing Zhantu Investment Co., Ltd.; 100% equity interest in Leqing Fengyuan Investment Co., Ltd.; 100% equity interest in Hangzhou Taiku Investment Co., Ltd.	9,400.0
	Shaanxi J&R Optimum Energy Co., Ltd.	100% equity interest in Shenzhen OptimumNano Battery Co., Ltd.	5,200.0

Year	Acquirer	Target	Deal value
			(RMB in millions)
2015	BesTV New Media Co., Ltd.	100% equity interest in Shanghai Oriental Pearl (Group) Co., Ltd.; 100% equity interest in Shanghai SMG Pictures Co., Ltd.; 100% equity interest in Shanghai Wu'an Communications Co., Ltd.; 68.1% equity interest in SiTV Co. Ltd.; 84.2% equity interest in Oriental Xijie Business Co., Ltd.	49,052.0
	Zhejiang Transfar Co., Ltd.	100% equity interest in Transfar Logistics Group Co., Ltd.	20,000.0
	Shanghai Jin Jiang International Hotels Development Co., Ltd.	100% equity interest in Louvre Hotels Group	12,461.0
	BlueStar Chemical New Material Co., Ltd.	85% equity interest in Adisseo Nutrition Group Co., Ltd.	10,648.8
	Wuchan Zhongda Group Co., Ltd.	100% equity interest in Zhejiang Wuchan Group Co., Ltd.; 9.6% equity interest in Zhejiang Materials Industry International Co., Ltd.	10,634.9
2014	Sinopec Yizheng Chemical Fibre Limited Liability Company	100% equity interest in Sinopec Oilfield Services Co., Ltd.	24,075.5
	Tianma Micro-electronics Co., Ltd.	70% equity interests in Shanghai Tianma Co., Ltd.; 40% equity interest in Chengdu Tianma Co., Ltd.; 90% equity interests in Wuhan Tianma Co., Ltd.; 100% equity interest in Shanghai Zhonghang Photoelectron Co., Ltd.; 100% equity interest in Shenzhen Zhonghang Photoelectron Co., Ltd.	5,496.4

Others

Our investment banking business also includes NEEQ listing and financing. We were qualified as a NEEQ lead manager in 2006 and were the first securities company to complete a private placement for a NEEQ-listed company. In 2014, 2015 and the nine months ended September 30, 2016, we assisted 38, 136 and 114 companies to list on NEEQ, respectively. We focus on the risk management of NEEQ listing projects by establishing an independent quality control team, and actively control the number while striving to enhance the quality of NEEQ listing projects we work on.

Institutional Investor Services

Our institutional investor services business provides prime brokerage, sales and trading, securities-backed financing and research services to institutional investors. We also conduct proprietary trading in equities, derivative financial instruments and FICC. Our institutional clients primarily include sovereign wealth funds, NSSF, mutual funds, insurance companies, private funds, QFII/RQFII, trust companies and commercial banks. As of September 30, 2016, we served more than 19,000 institutional investors.

The table below sets forth a breakdown of our total revenue and other income from institutional investor services business for the periods indicated:

	Year ended December 31,				Nine months ended September 30,	
	2014		2015		2016	
	(RMB in millions, except for percentages)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Prime brokerage	382.0	4.9%	997.2	7.6%	564.1	8.5%
Sales and trading	6,236.4	80.4%	9,167.2	70.2%	3,423.1	51.8%
Securities-backed financing	889.7	11.5%	1,592.8	12.2%	1,661.2	25.1%
Interest income on our own funds and others	250.8	3.2%	1,302.3	10.0%	961.6	14.6%
Total	**7,758.9**	**100.0%**	**13,059.5**	**100.0%**	**6,610.0**	**100.0%**

Prime Brokerage

We have established an industry-leading prime brokerage trading platform. We offer institutional investors comprehensive, one-stop and customized services, including trading services, custody and outsourcing services, financing business, research services, product sales and support, derivative financial instruments services, fund performance evaluation and analysis as well as investment strategy consulting. We also provide our clients with bespoke business solutions through our dedicated prime brokerage account managers.

Trading Services

We lease trading seats to institutional investors, including mutual funds, insurance companies and the NSSF, which are not stock exchange members, enabling them to trade the securities in their investment portfolio on the stock exchanges. In 2014, 2015 and the nine months ended September 30, 2016, our net income from the leasing of trading seats was RMB382.0 million, RMB877.8 million and RMB434.2 million, respectively, derived primarily from mutual funds. In 2014, 2015 and the nine months ended September 30, 2016, the Company's net income from trading seats leased to mutual funds was RMB307.1 million, RMB629.2 million and RMB309.0 million, respectively. Through our customized prime brokerage trading system, we also provide fast and convenient securities trading services to private funds and other institutional investors.

The following table sets forth an overview of the Company's mutual fund trading seats leasing business for the periods or as of the dates indicated:

	Year ended/as of December 31,		Six months ended/ as of June 30,
	2014	2015	2016
Trading volume of mutual funds seats leasing (RMB in billions)	323.0	682.7	216.7
Market share of the mutual fund trading seats leasing business in terms of net income	4.8%	4.5%	4.7%
Ranking in the mutual fund trading seats leasing business in terms of net income	4	6	3

Custody and Outsourcing

Our custody business provides institutional investors with asset custody, fund clearing and settlement, investment monitoring, fund valuation, information disclosure and other services. Our outsourcing business provides institutional investors with basic services including fund unit registration and fund valuation as well as value-added services including performance review, contract drafting and information disclosure. In April 2013, we were qualified to pilot the comprehensive custody business for private funds. In May 2014, we were qualified for securities investment funds custody business. Since April 2015, we have been registered as a private fund business outsourcing service organization. In 2016, we passed the International Auditing and Assurance Standards Board ISAE3402 review for the whole year of 2015. According to Wind Info, as of September 30, 2016, our balance of assets under custody from mutual funds ranked second in the securities company custody industry.

We were among the first in the industry to launch an Internet-based fund operation platform, which covers hundreds of customizable functions for fund management, including product life cycle management, fund transfer, valuation and accounting, share registration, performance analysis, customized statements and information disclosure. We established an efficient fund settlement and transfer system and achieved direct processing of fund settlement. Through advanced data analysis system, our fund performance analysis services allow fund managers to fully analyze their investment portfolio's performance and execution of their investment strategies according to six dimensions, namely product size, net value analysis, risk analysis, position analysis, attribution analysis and transaction analysis.

The following table sets forth an overview of our custody and outsourcing business for the periods or as of the dates indicated:

	Year ended / as of December 31,		Nine months ended / as of September 30,
	2014	2015	2016
Assets under custody (RMB in millions)	15,109.7	148,142.7	186,322.2
Number of funds under custody	147	2,048	3,317
Revenue from custody business (RMB in millions)	0.6	72.5	76.4
Assets outsourced to us (RMB in millions)	16,036.7	118,604.3	160,281.0
Number of funds outsourced to us	120	1,307	2,485
Revenue from outsourcing business (RMB in millions)	0.4	47.7	54.3

Sales and Trading

Our sales and trading business conducts trading of stocks, funds, bonds, derivative financial instruments, commodities, currencies and other financial instruments with our own funds or on behalf of institutional investors through buying and holding, trading and market-making. During the Track Record Period, substantially all of our revenue from the sales and trading business was derived from proprietary trading activities. We enhance our trading capability for institutional clients through our experience with proprietary trading activities.

The table below sets forth an overview of the return on our proprietary trading activities for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
	(RMB in millions, except for return rate)		
Net investment gains	5,893.4	8,537.6	3,147.5
Net return on investment[(1)] (%)	10.6	9.7	3.1

Note:

(1) Calculated by dividing net investment gains by the average balance of net position of proprietary trading at the beginning and the end of the period. Net return on investment for the nine months ended September 30, 2016 is not annualized.

The table below sets forth a breakdown of net investment positions of our proprietary trading by asset type as of the dates indicated:

	As of December 31,		As of September 30,
	2014	2015	2016
	(RMB in millions)		
Stocks	11,254.3	13,297.3	9,980.5
Funds	10,446.0	23,013.2	13,518.6
Debt securities	43,459.1	58,645.5	44,256.6
Derivative financial instruments	(194.6)	47.0	(30.0)
Asset management products	895.7	3,266.6	6,237.2
Contribution to designated accounts at China Securities Finance	—	16,168.6	15,403.9
Others[(1)]	(4,167.3)	(223.8)	(833.8)
Total	**61,693.2**	**114,214.4**	**88,533.0**

Note:

(1) Others primarily comprised financial liabilities held for trading, wealth management products, trust products and asset-backed securities.

In 2014, 2015 and the nine months ended September 30, 2016, the average month-end VaR (based on daily confidence interval of 95%) of our proprietary trading (excluding our contributions to designated accounts at China Securities Finance) was RMB98.1 million, RMB346.0 million and RMB200.8 million, respectively.

Stocks, Funds and Derivative Financial Instruments Trading

We trade stocks and funds for our own accounts and pursue absolute returns. We focus on value investment in selected sectors and stocks. We select stocks with long-term investment value and decide on the timing to buy or sell based on macro-economic research, industry analysis, market-cycles analysis and our understanding of behavior of market participants. Our decisions to buy or sell are also based upon our research of a target stock's industry, business models, financial condition and quality of the management team. We formulate diversified trading strategies and continuously adjust them based on market trends and conditions to secure stable investment gains.

We follow the principle of diversified investment and implement a dynamically adjusted stop-loss and profit-taking mechanism. We aim to protect our investment gains by closely monitoring market risks and adjusting our warning and stop-loss limits accordingly. For both individual investments and investment portfolios, if the market prices of the securities we hold increased after our initial investment, we will move up the warning and stop-loss limits as appropriate, so that we can still protect our initial gains if the market price of the securities decreases afterwards. We have also established a limit for aggregated loss from our proprietary equity trading operations.

We engage in arbitrage and quantitative trading of derivative financial instruments in China. We adopt multiple strategies in multiple markets utilizing multiple financial products to identify and capture arbitrage opportunities and effectively hedge the risk from market fluctuations. Derivative financial instruments that we have used include CSI300 Index Futures, SSE50 Index Futures and SSE50 ETF Option. Our trading of derivative financial instruments has gradually expanded from traditional ETF arbitrage and stock market index futures arbitrage into Alpha strategy investment, market-making and trading of exchange traded options, equity return swaps, OTC options, structured notes and other OTC products. We adjust our trading strategies and the scale of each type of hedging and quantitative trading activities from time to time based on our assessment of the market conditions.

We also provide market-making services for financial products traded on stock exchanges. We are one of the major technical consultants for SSE50 ETF, the first ETF in China, as well as a liquidity service provider for one of the first cross-market ETF innovative products in China, a core member of SZSE100 ETF Major Innovation Alliance and a lead dealer of various ETFs including SSE180 ETF. In 2015, we were qualified as a lead market-maker for SSE50 ETF Option.

In July 2015, in order to stabilize the stock market and restore investor's confidence, we committed not to reduce our A share proprietary trading position below our balance as of July 3, 2015 if the SSE Composite Index is below 4,500. As of July 3, 2015 and September 30, 2016, the net position of our A share proprietary trading was RMB3,678.5 million and RMB4,977.2 million, respectively.

FICC Trading

Our FICC trading primarily involves fixed-income securities, commodities trading, including precious metals, as well as currencies. We proactively develop non-directional FICC trading and enhance our trading capabilities for major global financial assets. We have established an industry-leading comprehensive FICC operation system and have maintained our industry-leading position.

Among the PRC securities companies, we are one of the first to engage in the fixed-income trading business and have obtained the most qualifications for fixed-income trading and investment business. We have been qualified as a primary dealer in the open market and on the stock exchanges granted by the PBOC. We are also qualified as a market maker for the interbank and stock exchanges bond market, interest rate swap business, bond-pledged quotation and repurchase business, carbon emission trading as well as a member of the underwriting syndicate for treasury bonds and financial bonds. We are also the first PRC securities company to qualify for interbank gold price inquiries. We were among the first batch of PRC securities companies that were admitted as members of Shanghai Gold Exchange and are also the first PRC securities company to join the International Emissions Trading Association (IETA). We are also the only PRC securities company to obtain the foreign exchange sales and settlement business qualification as of the Latest Practicable Date. In March 2016, our "Financial Innovation in FICC Business Chain" research received the First Prize for Achievement in Financial Innovation in 2015 in Shanghai.

We follow a prudent investment strategy for our FICC business with the objective to maintain a balance between income growth and earnings stability. Based on our research and assessment of China's economic situation and policy trends, we actively explore new investment products and opportunities in the market. We emphasize risk management and hedge interest rate risk through derivative financial instruments including interest rate swaps and treasury bond futures. Through diversified asset allocation, we seek to reduce concentration risk of our portfolio and achieve long-term return while ensuring that the associated risks are measurable and manageable. We adjust our fixed-income portfolio from time to time in light of changes in macro-economic conditions and monetary policies. During the Track Record Period, we continued to improve our quantitative trading system and foreign exchange sales and settlement platform, and achieved significant growth in structured finance, gold and foreign exchange trading.

Our FICC trading business also includes market-making business in the PRC interbank bond market. Our market-making activities cover treasury bonds, financial bonds, short-term financing bills and medium-term notes.

Asset Management Products

According to our overall asset allocation strategy and our need for cash management, we also invest in asset management products as part of our proprietary trading. Such products mainly include the asset management products offered by Guotai Junan Asset Management. As of December 31, 2014 and 2015 and September 30, 2016, the balance of our investments in asset management products was RMB895.7 million, RMB3,266.6 million and RMB6,237.2 million, respectively.

Contributions to Designated Accounts at China Securities Finance

In July 2015 and September 2015, we agreed to contribute funds to designated accounts set up by China Securities Finance for buying PRC blue chip ETFs, respectively, together with 20 and 49 other PRC securities companies, respectively, to stabilize the stock market and restore investor confidence. We have contributed twice to China Securities Finance in an aggregate amount of RMB17,014.0 million, representing 20% of the net assets of the Company as of July 31, 2015. Under relevant agreements, China Securities Finance manages the contributions of all securities companies and the securities companies share the risks and returns from the investment in proportion to their respective contribution. We cannot assess how China Securities Finance invests the funds contributed to the designated accounts or when the investment will be returned.

Our contributions to the designated accounts at China Securities Finance are recorded as available-for-sale financial assets in our consolidated statement of financial position. Based on the quarterly valuation report of China Securities Finance, changes in the fair value of such contributions will affect our equity position through other comprehensive income. As of December 31, 2015 and September 30, 2016, the fair value of our contribution to the designated accounts at China Securities Finance was RMB16,168.6 million and RMB15,403.9 million, respectively. As of September 30, 2016, the accumulated decrease in fair value of our contributions amounted to RMB1,610.1 million.

Considering the nature and purpose of our contributions to the designated account at China Securities Finance, its difference from our proprietary trading stock investment and uncontrollable timing for recovery, we recognize that there is no objective evidence of impairment with significant or prolonged decline in the fair value of our contributions as of September 30, 2016. Accordingly, as of September 30, 2016, we did not make provisions for impairment with respect to our contributions to the designated accounts at China Securities Finance.

Securities-backed Financing

Our securities-backed financing business includes stock-pledged financing and securities repurchase.

Our stock-pledged financing business provides financing to clients and accepts pledges of stocks or other securities held by them as collateral, under agreement that they will repay us in exchange for the release of pledges in the future. In June 2013, we became one of the first batch of securities companies to participate in the pilot program of stock-pledged financing on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. According to the Shanghai Stock Exchange and the Shenzhen Stock Exchange, as of December 31, 2014 and 2015 and September 30, 2016, the outstanding balance of our stock-pledged financing business ranked fourth, fourth and third in the industry, respectively.

Under our securities repurchase business, eligible clients sell securities to us at an agreed price and agree to repurchase these securities from us at an agreed price on a future date.

The table below sets forth an overview of our securities-backed financing business for the periods and as of the dates indicated:

	Year ended/as of December 31,		Nine months ended/as of September 30,
	2014	2015	2016
Stock-pledged financing			
Interest income (RMB in millions)	820.2	1,566.5	1,640.3
Weighted average annualized interest rate of the Company	8.52%	8.04%	6.92%
Balance of financing (RMB in millions)	19,820.6	33,941.1	58,898.9
Value of collateral (RMB in millions)	52,768.8	106,949.4	152,518.5
Collateral coverage ratio	266.2%	315.1%	258.9%
Securities repurchase			
Interest income (RMB in millions)	69.5	26.3	20.9
Weighted average annualized interest rate of the Company	8.16%	8.82%	8.33%
Balance of financing (RMB in millions)	356.4	435.9	124.6
Value of collateral (RMB in millions)	892.8	1,202.5	352.0
Collateral coverage ratio	250.5%	275.9%	282.5%

The table below sets forth a breakdown of the market value of collateral for our securities-backed financing business by liquidity and listing venue as of the dates indicated:

	As of December 31,		As of September 30,
	2014	2015	2016
		(RMB in millions)	
Liquidity unrestricted stock	24,070.9	54,417.1	74,472.5
Shanghai Stock Exchange	9,524.9	28,070.8	38,346.1
Shenzhen Stock Exchange	14,546.0	26,346.3	36,126.3
Liquidity restricted stock	29,590.8	53,734.8	78,398.0
Shanghai Stock Exchange	3,307.6	4,139.0	11,959.0
Shenzhen Stock Exchange	26,283.2	49,595.8	66,439.0
Total	**53,661.6**	**108,151.9**	**152,870.5**

The table below sets forth an overview of the forced liquidations for our securities-backed financing business for the periods indicated. We did not incur any loss with respect to these forced liquidations as of September 30, 2016.

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
Number of liquidations	—	2,016	562
Total amount of liquidations (RMB in millions)	—	206.6	61.5
Ratio of total amount of liquidations to balance of financing at the end of the period	—	0.6%	0.1%

Research

We conduct our research business primarily through Guotai Junan Securities Research Institute. We were the first securities company to establish a securities research institute. Guotai Junan Securities Research Institute has ranked top for years in the authoritative awards in the industry, including "New Fortune Best Analysts Awards," "Crystal Ball Sell-side Analysts Awards" and "Gold Bull Analysts in China Securities Industry." From 2003 to 2016, Guotai Junan Securities Research Institute has continuously received "Best Domestic Research Team" and "Most Influential Research Institute" prizes awarded by New Fortune, ranked among the top three in the selection of "Best Domestic Research Team" for eleven times, ranked first in "Best Analyst" on an aggregate of 82 occasions and was nominated for that prize on an aggregate of 221 occasions in various research areas.

The following table sets forth major awards received by Guotai Junan Securities Research Institute during the Track Record Period.

Year	Award	Awarding Body
2016	First Prize for Domestic Gold Medallion Research Team	The Tenth Crystal Ball Sell-side Analysts Award by Securities Market Weekly
	First Prizes for Best Domestic Research Team, for Most Influential Research Institute and for Best Overseas Sales and Services Team	The 14th New Fortune Best Analysts Awards
	Top Five Gold Bull Teams	The Seventh Gold Bull Analysts in China Securities Industry by China Securities Journal
2015	First Prize for Best Domestic Research Team and for Most Influential Research Institute	The 13th New Fortune Best Analysts Award
	First Prize for Domestic Gold Medallion Research Team, for Most Influential Research Institute and for Most Independent Research Institute	The Ninth Crystal Ball Sell-side Analysts Award by Securities Market Weekly
	Top Five Gold Bull Research Teams	The Sixth Gold Bull Analysts in China Securities Industry by China Securities Journal
2014	First Prize for Best Domestic Research Team and No. 3 for Most Influential Research Institute	The 12th New Fortune Best Analysts Award
	First Prize for Best Domestic Research Team and for Most Influential Research Institute	The Eighth Crystal Ball Sell-side Analysts Award by Securities Market Weekly
	Top Five Gold Bull Research Teams	The Fifth Gold Bull Analysts in China Securities Industry by China Securities Journal

Guotai Junan Securities Research Institute has established a comprehensive research system and framework. Its major research fields include macroeconomics, strategies, fixed income, financial engineering, industry as well as small and medium market capitalization companies. As of September

30, 2016, the research reports issued by Guotai Junan Securities Research Institute covered all industry sectors defined under the CSRC industry standards and 708 listed companies, whose total market capitalization accounted for 85.4% of that of the PRC stock market. As of September 30, 2016, Guotai Junan Securities Research Institute had a total of 170 researchers, 90.0% of whom possessed master's or higher degrees. In 2014, 2015 and the nine months ended September 30, 2016, Guotai Junan Securities Research Institute has issued 7,402, 7,419 and 5,854 research reports, respectively, including 2,969, 3,012 and 2,861 industry and company research reports, respectively.

Personal Finance

Our personal finance business provides, through both offline and online channels, securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services in the PRC.

The following table sets forth a breakdown of results of operations of our personal finance business by business line for the periods indicated:

	Year ended December 31,				Nine months ended September 30,	
	2014		2015		2016	
	(RMB in millions, except for percentages)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Retail brokerage	8,700.2	71.7%	23,561.7	74.8%	8,159.5	67.7%
Margin financing and securities lending	3,223.6	26.6%	7,407.1	23.5%	3,327.3	27.6%
Wealth management[(1)]	195.7	1.6%	509.4	1.6%	543.7	4.5%
Others	9.4	0.1%	8.5	0.0%	14.9	0.1%
Total[(2)]	**12,128.9**	**100.0%**	**31,486.7**	**100.0%**	**12,045.4**	**100.0%**

Notes:

(1) Includes the income our wealth management business derived from selling asset management products developed by us. In 2014, 2015 and the nine months ended September 30, 2016, such income was RMB105.9 million, RMB364.2 million and RMB481.1 million, respectively.

(2) Includes the income our wealth management business derived from selling asset management products developed by us. Excluding such income, in 2014, 2015 and the nine months ended September 30, 2016, total segment revenue and other income of our personal finance business was RMB12,023.1 million, RMB31,122.4 million and RMB11,564.3 million, respectively.

Our personal finance business is well regarded by the market and our clients. The following table sets forth major awards received by our personal finance business during the Track Record Period.

Year	Award	Awarding Body
2016	Second Prize for the Guotai Junan Comprehensive Financial Services Innovation Platform	Award Office for Science and Technology of the Securities and Futures Industry
2015	Best Wealth Management Institution in China and Best Financing Service Securities Company in China	Securities Times
2014	Best Securities Company of the Year	Eastmoney Billboard by eastmoney.com (東方財富網東方財富風雲榜評選)
	Best Internet Securities Company	Securities Times
	Best Margin Financing and Securities Lending Securities Company in China	Securities Times

Clients

Our personal finance business has a high-quality and loyal client base. As of December 31, 2014 and 2015 and September 30, 2016, the number of our personal finance clients was 4.6 million, 6.4 million and 8.0 million, respectively. We manage these clients based on the accounts they open with us. As of the same dates, the number of our personal finance client accounts was 4.8 million, 6.7 million and 8.4 million, respectively. As of September 30, 2016, 51.7% of our personal finance client accounts had been opened for over three years and 18.9% for over ten years.

We have established a leading multi-tiered account management system for our personal finance business, promoted precise allocation of resources and achieved customized matching of services and products. We have categorized client accounts based on client relationships, risk tolerance, revenue contribution and investment preferences. We also introduced account lifecycle management and conducted differentiated value positioning to clients. As a result, we are able to design personalized core value service packages and ancillary service products for different types of accounts to enhance the allocation accuracy of our services and our pricing power.

Based on account balance, our personal finance client accounts are categorized as follows:

- **Ordinary Accounts**: accounts with a balance of less than RMB0.5 million;
- **Affluent Accounts**: accounts with a balance of not less than RMB0.5 million but less than RMB5.0 million; and
- **High-net-worth Accounts**: accounts with a balance of RMB5.0 million or above.

The following table sets forth a breakdown of our personal finance client accounts by account category as of the dates indicated:

	As of December 31,				As of September 30,	
	2014		2015		2016	
	(In thousands, except for percentages)					
	Number	Percentage	Number	Percentage	Number	Percentage
Ordinary accounts	4,564.1	96.0%	6,495.5	96.5%	8,115.6	97.1%
Affluent accounts	162.3	3.4%	193.1	2.9%	202.7	2.4%
High-net-worth accounts	29.7	0.6%	40.0	0.6%	37.5	0.4%
Total	**4,756.1**	**100.0%**	**6,728.7**	**100.0%**	**8,355.7**	**100.0%**

The following table sets forth a breakdown of the balances of our personal finance client accounts by account category as of the dates indicated:

	As of December 31,				As of September 30,	
	2014		2015		2016	
	(RMB in millions, except for percentages)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Ordinary accounts	139,188.2	9.9%	173,157.4	10.6%	179,399.3	10.2%
Affluent accounts	207,844.9	14.7%	249,219.4	15.2%	258,491.6	14.7%
High-net-worth accounts	1,062,783.4	75.4%	1,212,609.6	74.2%	1,315,563.3	75.0%
Total	**1,409,816.5**	**100.0%**	**1,634,986.4**	**100.0%**	**1,753,454.1**	**100.0%**

We provide differentiated value-added services to these three categories of accounts:

- For ordinary accounts, we offer standard investment and wealth management services, including basic trading, market information, industry and company data and analysis as well as basic membership service packages.

- For affluent accounts, we assign designated investment advisers to them and offer exclusive investment and wealth management services. Based on clients' individualized demands, we select from diversified and serialized services and products to generate individualized membership service packages.

- For high-net-worth accounts, we assign designated wealth advisers, supported by our expert team, and offer customized investment and wealth management services, including comprehensive wealth planning, high-end integrated information services, high-end customized investment, financing and wealth management products and cross-border investment services.

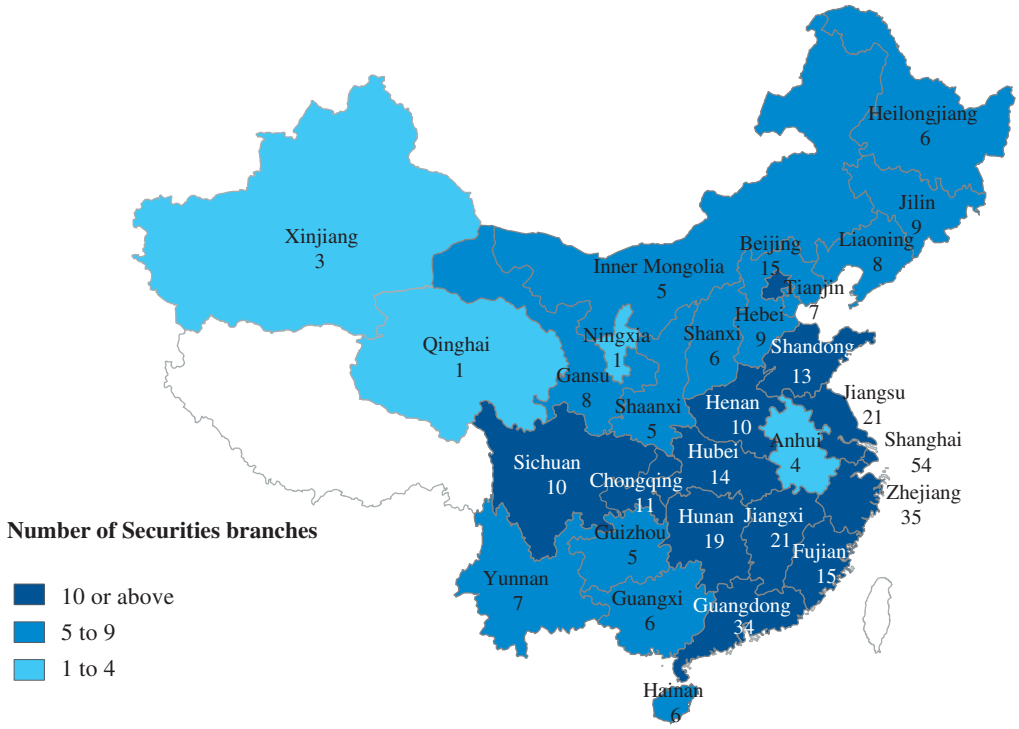
By providing differentiated value-added services, we have significantly enhanced the loyalty of affluent and high-net-worth accounts. As of September 30, 2016, our affluent and high-net-worth accounts accounted for 2.9% of our personal finance accounts, and the aggregated balance of affluent and high-net-worth accounts accounted for 89.7% of the total balance of our personal finance client accounts.

Marketing Channels

We provide comprehensive financial services to our personal finance clients through both offline and online platforms. We have gradually transformed the marketing channels established for personal finance business into a comprehensive financial service platform which covers various businesses. In 2015, through the provision of comprehensive financial services, the revenue the securities branches of the Company generated from businesses other than ordinary brokerage business accounted for 36.8% of the total revenue of such branches.

Offline Network

Our securities branches in each province are centrally managed by the provincial branch company as one unit to allow efficient collaboration and resource sharing. As of September 30, 2016, we had 368 securities branches across 30 provinces in the PRC and ranked second among PRC securities companies in terms of the number of securities branches. The following diagram shows the distribution of our securities branches as of September 30, 2016:



As early as 2004, we launched a four-layer multi-core centralized trading system based on PC servers across our securities branches under a cloud computing model. This system is the first centralized trading system in the industry supports more than 100 securities branches, which reduced setup and operating costs of our securities branches and improved their operating efficiency.

We optimize the network structure of our securities branches to cover clients in depth. We also accelerate the upgrade of traditional outlets in terms of both function and structure, set up new types of outlets, which mainly comprise Type-C branches, to expand our marketing network and strive to increase our market share. During the Track Record Period, we mainly set up Type-C branches and gradually decreased the number of Type-A branches. Type-C branches may rapidly expand our networks with lower capital expenditures by providing trading services with compact equipment, smaller space, lower setup expenses and fewer on-site employees.

The following table sets forth a breakdown of our securities branches by type as of the dates indicated:

	As of December 31,		As of September 30,
	2014	2015	2016
Type-A branches[(1)]	251	211	208
Type-B branches[(2)]	2	32	36
Type-C branches[(3)]	35	56	124
Total	**288**	**299**	**368**

Notes:

(1) Type-A branches are equipped with an IT system for on-site trading, which enables them to provide on-site trading services for clients, as defined under the Guidelines for Information Technology of Securities Branches of Securities Companies.

(2) Type-B branches are not equipped with an IT system for on-site trading, but rely upon the IT system of the headquarters or other securities branches to provide on-site trading services for clients, as defined under the Guidelines for Information Technology of Securities Branches of Securities Companies.

(3) Type-C branches are branches where on-site trading service is not available, as defined under the Guidelines for Information Technology of Securities Branches of Securities Companies.

Online Platform

We were among the first batch of PRC securities companies to carry out online account registration and online trading. In April 2014, we obtained the pilot qualification for Internet securities business. We continue to upgrade our electronic trading platform and are gradually migrating our standardized business online. Currently, online account registration and online trading have become the main channel for our personal finance business.

We have established three innovative Internet financial platforms, including Jun Hong Financial Mall (君弘金融商城), a mobile app group and the WeChat public account service platform, and formed a new service model based on the "Cloud Service" concept. Our Jun Hong Financial Mall is the first online financial mall operated by a domestic securities company. It provides intelligent and one-stop wealth management services. Our mobile app, Guotai Junan Jun Hong (國泰君安君弘), is one of the first mobile securities app launched by a domestic securities company which offers the best user experiences and most functions. Our professional Internet wealth management service platform, Fu Yi (富易), is one of the few trading computer software developed in-house by a domestic securities company. The services provided include full-market information, fast and convenient trading, one-click purchase of wealth management products and all-round account analyses. We also launched a series of products, tools and services with Internet features which provide our clients with comprehensive online financial services including online microfinance, transfer and payment and daily consumption. As of September 30, 2016, there are more than ten million users for our mobile apps.

The following table sets forth a breakdown of the trading volume of the stocks and funds brokerage business of the Company by trading channel for the periods indicated:

	Year ended December 31,				Nine months ended September 30,	
	2014		2015		2016	
	(RMB in billions, except for percentages)					
	Volume	Percentage	Volume	Percentage	Volume	Percentage
Internet Platform						
Computers	6,287.7	76.6%	19,526.3	71.2%	6,243.9	63.7%
Mobile phones and other mobile devices	1,166.2	14.2%	6,005.6	21.9%	2,940.1	30.0%
Others [(1)]	752.9	9.2%	1,894.3	6.9%	622.7	6.3%
Total	**8,206.8**	**100.0%**	**27,426.2**	**100.0%**	**9,806.7**	**100.0%**

Note:

(1) Others include order placed onsite at our securities branches and placed by phone.

The following table sets forth a breakdown of newly opened securities brokerage accounts of the Company by channel for the periods indicated:

	Year ended December 31,				Nine months ended September 30,	
	2014		2015		2016	
	(in thousands, except for percentages)					
	Number	Percentage	Number	Percentage	Number	Percentage
Internet Platform						
Computers	101.8	24.7%	277.8	14.3%	8.0	0.5%
Mobile phones and other mobile devices	70.8	17.2%	1,458.2	75.0%	1,588.7	98.2%
Branch Onsite	210.3	51.0%	203.6	10.5%	20.7	1.3%
Attestation Service	29.6	7.2%	3.7	0.2%	—	—
Total	**412.5**	**100.0%**	**1,943.5**	**100.0%**	**1,617.4**	**100.0%**

Investment Adviser Team

We provide customized, diversified and integrated wealth management services to our affluent and high-net-worth clients through our investment adviser team. As of December 31, 2014 and 2015 and September 30, 2016, we had in total 976, 1,070 and 1,169 investment advisers, respectively. As of September 30, 2016, the number of our investment advisers ranked second in the PRC securities industry.

In order to enhance the standard and efficiency by which our investment advisers serve our clients, we developed Jun Hong Bai Shi Tong (君弘百事通), a one-stop service platform for our employees, in May 2010. The Jun Hong Bai Shi Tong platform is built upon our client and product information database. It has streamlined and standardized key business flows and provided our investment advisers with practical tools, including account diagnosis and wealth management products allocation. Through client categorization and coordinated communication, our investment advisers can send relevant products marketing and services information to appropriate clients through various means including text messages, emails and system announcements.

Retail Brokerage

Our retail brokerage business comprises the securities brokerage and futures brokerage businesses we conduct in China.

Our retail brokerage business highly focuses on innovation and has pioneered various innovations in the industry:

- In November 2016, we were among the first to obtain the trading authorization for Hong Kong Stock Connect under Shenzhen-Hong Kong Stock Connect;
- In January 2015, we were among the first to qualify for stock option brokerage business;
- In October 2014, we were among the first to obtain the trading authorization for Hong Kong Stock Connect under Shanghai-Hong Kong Stock Connect;
- In February 2014, we were among the first to qualify for the pilot program for spot contract agency and proprietary trading of precious metals including gold;
- In February 2013, we were qualified for agency sale of financial products;
- In 2013, we were the first to launch the account openings attestation services system and were among the first to launch an online account opening system;
- In 2012, we were qualified for the pilot program for cash management of client security deposit; and
- In 2010, we were among the first to qualify for futures IB business.

Securities Brokerage

Our securities brokerage business engages in securities trading on behalf of our clients. Among the PRC securities companies, we have one of the most extensive marketing and service networks and one of the largest client bases, with industry-leading service capability and market share. We also conduct securities brokerage business through our controlled subsidiary, Shanghai Securities. In 2014 and 2015, our net income from securities brokerage business both ranked first in the industry in both years; the trading volume of our stocks and funds brokerage business ranked second and third in the industry, respectively; the trading volume of our bonds brokerage services ranked first in the industry in both years; and the balance of our client transaction settlement funds ranked first in the industry in both years.

The following table sets forth a breakdown of total revenue and other income by our securities brokerage business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
	(RMB in millions)		
Fees and commission income from securities brokerage	6,793.8	19,252.8	5,713.3
Interest income on cash held on behalf of brokerage customers	1,168.5	3,132.6	1,576.8
Total	**7,962.3**	**22,385.4**	**7,290.1**

The following table sets forth a breakdown of the trading volume and market share of our securities brokerage business in China by product type for the periods indicated:

	Year ended December 31,				Nine months ended September 30,	
	2014		2015		2016	
	(RMB in billions, except for percentages)					
	Trading volume	Market share	Trading volume	Market share	Trading volume	Market share
Stocks and funds[(1)]						
Stocks	8,694.5	5.9%	28,282.1	5.6%	10,459.0	5.4%
Funds	215.5	5.1%	814.2	5.0%	180.5	3.9%
Subtotal	8,910.1	5.8%	29,096.3	5.6%	10,639.4	5.4%
Bonds[(1)]	15,817.8	8.9%	23,460.1	9.0%	34,330.0	10.0%
Total[(1)]	**24,727.9**	**7.4%**	**52,556.4**	**6.6%**	**44,969.4**	**8.2%**

Note:

(1) Includes trading volume generated by institutional investors through the trading seats they leased from us.

The following table sets forth net commission rates for our stocks and funds brokerage business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
		(bps)	
Average net commission rate of the Group in the PRC[(1)]	7.18	5.78	4.72
Average net commission rate of market in the PRC[(1)]	6.63	4.97	3.90

Note:

(1) Average net commission rate is calculated by dividing total commission, net of relevant variable costs, by total trading volume.

During the Track Record Period, with the revocation of the "one investor one account" policy with regards to A share accounts opened by individual investors and the development of Internet finance, competition between securities companies has further intensified. We proactively adapted to this market trend and devised diversified value-added service plans based on clients' asset balance and investment needs, including research, investment consulting, account analysis and wealth management. These value-added services have allowed us to charge differentiated brokerage commission rates which are higher than the average market rates.

Futures Brokerage

We primarily conduct our futures brokerage business in the PRC through Guotai Junan Futures. Guotai Junan Futures is a member of the Shanghai Futures Exchange, the Dalian Commodity Exchange, the Zhengzhou Commodity Exchange and the China Financial Futures Exchange. In addition, we also conduct our futures brokerage business in the PRC through Hicend Futures. For 2014, 2015 and the nine months ended September 30, 2016, our revenue from futures brokerage business ranked first in the industry in all three periods; the trading volume of treasury bond futures ranked second, first and third in the industry, respectively; and the trading volume of stock market index futures ranked second, third and third in the industry, respectively.

As of September 30, 2016, we have established 17 futures branches in 15 cities in China. The Company and Shanghai Securities are both qualified to introduce clients to Guotai Junan Futures and Hicend Futures, respectively, for engaging in futures transactions. As of September 30, 2016, the Company and Shanghai Securities has 217 and 53 securities branches, respectively, engaging in the above businesses.

The following table sets forth major awards received by Guotai Junan Futures and its products during the Track Record Period:

Year	Awards	Awarding Body
2016	Best Futures Company in China, Best Management Team of China Futures Company, Best Assets Management Business and Gold Medallion Futures Research Institute of China	The Ninth Session of the Best Futures Company Awards jointly held by the Futures Daily and the Securities Times
2015	Best Futures Company in China, Best Management Team of China Futures Company and Gold Medallion Futures Research Institute of China	The Eighth Session of the Best Futures Company Awards jointly held by the Futures Daily and the Securities Times
	Best Brand in Futures Industry	The 13th China Finance Billboard Selection for Futures Industry held by hexun.com
2014	Best Futures Asset Management Product in China	2014 Best Wealth Management Organization Selection held by the Securities Times
	Best Futures Company in China and Gold Medallion Futures Research Institute of China	The Seventh Session of the Best Futures Company Awards jointly held by the Futures Daily and the Securities Times
	Most Satisfactory Futures Company to Investors and Gold Medallion Industry Research	The 12th China Finance Billboard Selection for Futures Industry held by hexun.com
	Best Brand Award	Annual Chinese Financial Industry Leaders Selection organized by jrj.com

The following table sets forth an overview of our futures brokerage business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
Trading volume (RMB in billions)	26,050.8	49,136.3	11,663.4
Fee and commission income from futures brokerage (RMB in millions)	360.7	522.3	373.4

The following table sets forth a breakdown of transaction volume of our futures brokerage business by product type for the periods indicated:

	Year ended December 31,				Nine months ended September 30,	
	2014		2015		2016	
	(RMB in billions, except for percentages)					
	Transaction amount	Market share	Transaction amount	Market share	Transaction amount	Market share
Commodity futures	7,209.9	3.0%	7,458.8	2.9%	9,817.3	4.0%
Financial futures	18,840.9	6.0%	41,677.5	5.2%	1,846.1	7.5%
— Stock market index futures	18,681.8	6.0%	40,759.0	5.3%	879.8	5.9%
— Treasury bond futures	159.1	9.1%	918.6	7.4%	966.2	8.4%
Total	**26,050.8**	**4.7%**	**49,136.3**	**4.8%**	**11,663.4**	**4.3%**

Margin Financing and Securities Lending

Our margin financing and securities lending business offers loans and lends listed securities with collateral to clients to finance their purchase or short-selling of listed securities. In March 2010, we were among the first to qualify for the CSRC-approved pilot program for margin financing and securities lending business. As of September 30, 2016, we offered margin financing and securities lending services at 327 of our 368 securities branches in China.

During the Track Record Period, we have been leading the industry in margin financing and securities lending business. According to the SAC, as of December 31, 2014 and 2015 and September 30, 2016, our balance of margin loans all ranked second in the industry. In 2014 and 2015, the interest income from our margin financing and securities lending business both ranked second in the industry.

The following table sets forth an overview of our margin financing and securities lending business for the periods and as of the dates indicated:

	Years ended / as of December 31,		Nine months ended / as of September 30,
	2014	2015	2016
Number of margin accounts (in thousands)	202.7	245.1	252.5
Balance of margin loans (RMB in millions)	69,536.9	72,451.1	52,768.2
Market value of securities lent (RMB in millions)	1,207.6	70.9	240.9
Trading volume of margin accounts (RMB in billions)	2,350.1	8,119.1	2,379.6
Maintenance margin ratio (%)	262.2%	330.6%	327.9%
Interest income from margin financing and securities lending (RMB in millions)	3,223.6	7,407.1	3,327.3

The following table sets forth an overview of interest rates for our margin financing and securities lending business for the periods indicated:

	Years ended December 31,		Nine months ended September 30,
	2014	2015	2016
Nominal annualized interest rate for margin loans			
The Company	8.60%	8.60%/8.35%[1]	8.35%
Shanghai Securities	8.60%	8.60%	8.60%/8.35%[2]
Nominal annualized interest rate for securities lending			
The Company	8.60%	8.60%/8.35%[1]	8.35%
Shanghai Securities	10.60%	10.60%	10.60%/10.35%[3]

Note:

(1) Beginning on March 2, 2015, the Company reduced the interest rate for margin financing and securities lending from 8.60% to 8.35%.

(2) Beginning on July 1, 2016, Shanghai Securities reduced the interest rate for margin financing from 8.60% to 8.35%.

(3) Beginning on July 1, 2016, Shanghai Securities reduced the interest rate for securities lending from 10.60% to 10.35%.

The table below sets forth a breakdown of the market value of collateral from margin financing and securities lending clients by asset type as of the dates indicated:

	As of December 31,		As of September 30,
	2014	2015	2016
		(RMB in millions)	
Cash	9,211.3	14,341.0	9,187.7
Securities	176,297.5	225,420.2	164,620.0
Equity securities	174,716.8	224,204.4	163,831.5
- Shanghai Stock Exchange	103,978.3	108,449.2	77,068.4
- Shenzhen Stock Exchange	70,738.5	115,755.2	86,763.2
Other securities	1,580.8	1,215.9	788.4
- Shanghai Stock Exchange	685.6	887.6	559.4
- Shenzhen Stock Exchange	895.1	328.2	229.1
Total	**185,508.8**	**239,761.3**	**173,807.6**

As of September 30, 2016, approximately 377,000 of our client accounts were eligible for margin financing and securities lending services, representing 3.9% of the total number of personal finance client accounts. Of these eligible accounts, approximately 66.9% have opened margin financing and securities lending accounts.

The table below sets forth an overview of forced liquidation for our margin financing and securities lending businesses for the periods indicated. We did not incur losses for these forced liquidations as of September 30, 2016.

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
Number of liquidations	133	938	172
Amount of liquidations (RMB in millions)	29.1	325.9	40.9
Ratio of amount of liquidations to balance of margin financing and securities lending at the end of the period	0.3%	0.4%	0.1%

The sources of funding and securities for our margin financing and securities lending business primarily include:

- Our equity securities held for sales and trading;
- Our operating cash;

- Proceeds from the issuance of corporate bonds, subordinated bonds and structured notes;

- Proceeds from the issuance of asset management schemes;

- Margin loans receivable-backed financing. We enter into contracts to sell our margin loans receivable to counterparties for financing and agree to repurchase such receivable assets at an agreed future date; and

- Margin and securities refinancing. We borrow funds or securities from China Securities Finance and then lend them to our margin financing and securities lending clients. We qualified for the pilot margin and securities refinancing business in August 2012, and were among the first securities companies to qualify for the pilot securities refinancing business in February 2013. According to the margin and securities refinancing agreement we entered into with China Securities Finance, we can borrow funds or securities of up to RMB11.8 billion. As of November 30, 2016, our remaining loan facility for funds or securities was RMB7.6 billion.

Wealth Management

While maintaining and enhancing the competitiveness of our traditional securities brokerage business, we continue to expand the business and service scopes of our branch offices and endeavor to transform our retail brokerage business into a wealth management-centered business. In response to the asset balance and investment need of our clients, we provide them with diversified wealth management services, including sales of financial products and investment consultation.

Jun Hong Unified Accounts (君弘一戶通) is the core of our wealth management business. Through their Jun Hong Unified Accounts, our clients can fully manage various types of assets under their accounts. Our clients can also conduct securities trading, futures trading, margin trading, fund subscription, purchase of wealth management products, fund remittance and transfer and consumption payment. In May 2013, we became the first securities company admitted to the PBOC's payment systems. As a result, we can provide a convenient, efficient and low-cost channel for our clients for the deployment of and exit from wealth management funds. As of September 30, 2016, the number of Jun Hong Unified Accounts reached 4.1 million.

Meanwhile, we launched the Jun Hong Wealth Management Planning System (君弘理財規劃系統), through which we can customize reasonable and feasible wealth management plans for our clients by analyzing and evaluating their financial condition and wealth management goals. As of September 30, 2016, the assets of clients who have entered into wealth management planning contracts with us amounted to RMB4,009.1 million. Supported by Jun Hong Unified Accounts and Jun Hong Wealth Management Planning System, we aim to explore the asset allocation needs of our personal finance clients and establish loyal client relationships.

Our wealth management business primarily offers financial products developed by us, mainly collective asset management schemes developed by Guotai Junan Asset Management. We also distribute more than 2,700 financial products developed by third parties. For 2014 and 2015 and the nine months ended September 30, 2016, the income of our wealth management business derived from selling financial products developed by us was RMB105.9 million, RMB364.2 million and RMB481.1 million, respectively. During the same periods, income from our sales of financial products developed by third parties was RMB89.9 million, RMB145.2 million and RMB62.6 million, respectively.

The following table sets forth a breakdown of our sales of financial products by product type for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
		(RMB in millions)	
Products developed by us			
Collective asset management schemes	20,909.2	50,698.2	48,209.9
Targeted asset management schemes	1,415.5	6,085.0	14,469.9
Other wealth management products	7,070.9	5,019.8	8,572.8
Subtotal	29,395.6	61,802.9	71,252.6
Products developed by third parties			
Mutual funds	11,245.5	11,156.4	14,840.3
Private funds	1,913.4	6,156.8	3,657.0
Wealth management products	60.9	92.4	94.7
Trust schemes	551.1	455.0	464.5
Subtotal	13,770.9	17,860.5	19,056.4
Total	**43,166.5**	**79,663.4**	**90,309.1**

Investment Management

Our investment management business provides asset management and fund management services to institutions and individuals in the PRC and also includes our direct investment business. Our direct investment business includes private equity investment and principal investment businesses.

The following table sets forth a breakdown of total revenue and other income from our investment management business for the periods indicated.

	Year ended December 31,				Nine months ended September 30,	
	2014		2015		2016	
	(RMB in millions, except for percentages)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Asset management	1,103.6	76.1%	1,709.2	65.5%	1,637.9	32.5%
Fund management	301.2	20.8%	689.1	26.4%	370.2	7.3%
Direct investment	45.4	3.1%	212.5	8.1%	3,029.1	60.1%
Total	**1,450.3**	**100.0%**	**2,610.8**	**100.0%**	**5,037.2**	**100.0%**

Asset Management

We primarily conduct our asset management business through Guotai Junan Asset Management. Our asset management business charges management fees based on the AUM and performance fees based on business performance.

Our asset management services include:

- **Collective asset management schemes:** We manage assets with diverse risk and return profiles for multiple clients through designated accounts;
- **Targeted asset management schemes:** We manage assets for a single client through a designated account pursuant to agreed methods, conditions, requirements and restrictions;
- **Specialized asset management schemes:** We manage assets for a client for a specific purpose.

Guotai Junan Asset Management is one of the first asset management companies approved in the securities industry. It has maintained an industry-leading position over the years. As of December 31, 2014 and 2015 and September 30, 2016, the AUM of Guotai Junan Asset Management ranked second, fourth and sixth in the industry, respectively. For 2014, 2015 and the nine months ended September 30, 2016, the revenue of Guotai Junan Asset Management ranked second, third and first in the industry, respectively.

The following table sets forth a breakdown of the AUM and revenue of Guotai Junan Asset Management for the periods and as of the dates indicated:

	For the year ended / as of December 31,		For the nine months ended / as of September 30,
	2014	2015	2016
		(RMB in millions)	
Collective asset management schemes			
AUM	44,771.4	105,161.4	93,853.6
Revenue	309.5	711.1	773.7
Targeted asset management schemes			
AUM	468,875.5	494,419.9	564,994.1
Revenue	508.5	773.5	744.6
Specialized asset management schemes			
AUM	319.0	9,003.1	16,687.8
Revenue	0.2	3.2	10.3
Total asset management schemes			
AUM	513,965.9	608,584.4	675,535.5
Revenue	818.2	1,487.8	1,528.6

Guotai Junan Asset Management strives to balance the scale and quality of the AUM, and provides diversified asset management solutions based on the different requirements of clients in terms of risk appetite, return and liquidity. It has formed multiple product clusters with multiple asset classes including stocks, funds, bonds, currencies and multiple strategies including quantitative, market value management and overseas investments. Guotai Junan Asset Management emphasizes developing discretionary management capability and discretionary management products, aiming to achieve absolute returns for clients. During the Track Record Period, Guotai Junan Asset Management has led the industry in terms of its ratio of AUM of discretionary management products to total AUM.

The following table sets forth a breakdown between discretionary management products and non-discretionary management products of the total AUM of Guotai Junan Asset Management as of the dates indicated:

	As of December 31,				As of September 30,	
	2014		2015		2016	
	(RMB in millions)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Discretionary management products [(1)]	183,196.0	35.6%	217,100.0	35.7%	235,345.4	34.8%
Non-discretionary management products [(2)]	330,769.9	64.4%	391,484.4	64.3%	440,190.1	65.2%
Total	**513,965.9**	**100.0%**	**608,584.4**	**100.0%**	**675,535.5**	**100.0%**

Notes:

(1) Discretionary management products include targeted asset management schemes for which the manager sets specific investment objectives according to the scopes and limitations as stipulated in agreements entered into with the clients, as well as collective asset management schemes and specialized asset management schemes.

(2) Non-discretionary management products include asset management schemes under targeted asset management schemes for which investments are carried out in strict accordance with the specific instructions of the clients.

Guotai Junan Asset Management has achieved solid performance for its asset management products. The table below sets forth the rates of return of its discretionary management products for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2014	2015	2016
Average annualized rate of return of discretionary management products of Guotai Junan Asset Management	6.96%	6.80%	4.34%
Average annualized rate of return of discretionary management equity products of Guotai Junan Asset Management	22.11%	27.57%	3.37%
Rate of return of CSI 300 Index	51.66%	5.58%	(6.22%)

Our innovation capability is a distinguishing feature and strength of our asset management business. Innovative products of Guotai Junan Asset Management include:

- In 2015, issuance of "Huatai Guojun Margin Loan Receivables No. 1 Asset-backed Specialized Scheme (華泰國君融出資金債權1號資產支持專項計劃)", the first asset-backed specialized scheme based on margin financing and securities lending receivables in the industry, which has been listed on the Shanghai Stock Exchange;

- In 2014, launch of "Junhui Wilshire Global Prime (君匯Wilshire全球尊享)", the first FOF-type QDII product in the industry;

- In 2012, issuance of "Junxiang Growth (君享成長)", the first statistical arbitrage product in China; and

- In 2011, issuance of "Junxiang Quantitative (君享量化)", the first hedge fund product in China.

The following table sets forth major awards received by Guotai Junan Asset Management during the Track Record Period:

Year	Awards	Awarding Body
2015	Best Asset Management Securities Company in China and Best Institutional Service Provider in China	Securities Times
	Best Performance Securities Company for Wealth Management (Collective) of the Year (券商理財(集合)年度最佳業績獎)	Fifth Custodian "Golden Eyes" (託管"金眼睛") Award held by China Merchants Bank
	Best Asset Management Securities Company	Eastmoney Billboard by eastmoney.com (東方財富網舉辦的東方財富風雲榜評選)
2014	Best Asset Management Company	Eastmoney Billboard by eastmoney.com (東方財富網舉辦的東方財富風雲榜評選)

Some of Guotai Junan Asset Management's asset management products are structured into senior and subordinated tranches. As part of our overall asset allocation strategy, we may, from time to time, use our own capital to subscribe for a portion of the subordinated tranche of these asset management products in order to provide credit enhancement to these products. As of December 31, 2014 and 2015 and September 30, 2016, we had a balance of RMB2,263.7 million, RMB2,572.9 million and RMB1,813.9 million, respectively, invested in the subordinated tranches of asset management schemes managed by Guotai Junan Asset Management, which represented 0.4%, 0.4% and 0.3%, respectively, of the total AUM of Guotai Junan Asset Management.

Collective Asset Management Business

As of September 30, 2016, we had 127 collective asset management schemes, with an aggregated AUM of RMB93,853.6 million.

The following table sets forth the AUM of Guotai Junan Asset Management's collective asset management business by product type for the dates indicated:

	As of December 31,				As of September 30,	
	2014		2015		2016	
	(RMB in millions)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fixed-income products	20,546.4	45.9%	75,007.2	71.3%	71,802.0	76.5%
Equity products	4,225.9	9.4%	6,418.9	6.1%	5,426.0	5.8%
Innovative products[(1)]	19,999.1	44.7%	23,735.3	22.6%	16,625.6	17.7%
Total	**44,771.4**	**100.0%**	**105,161.4**	**100.0%**	**93,853.6**	**100.0%**

Note:

(1) Innovative products include structured products and quantitative products.

Our collective asset management schemes include the following featured products:

- *Jundeli Series* (君得利系列): a money market product ranked top among similar products by securities companies over the years. As of September 30, 2016, the AUM of Jundeli Series was RMB35,058.4 million.

- *Cash Keeper* (現金管家): a money market product developed for client deposits ranked top among similar products by securities companies over the years. As of September 30, 2016, the AUM of Cash Keeper series was RMB21,728.8 million.

Targeted Asset Management Business

The minimum subscription requirement of our targeted asset management schemes is typically RMB1.0 million. As of September 30, 2016, Guotai Junan Asset Management had entered into targeted asset management contracts with 327 clients.

The following table sets forth certain information as of the dates indicated of the top five targeted asset management schemes of Guotai Junan Asset Management in terms of AUM as of September 30, 2016. As of September 30, 2016, the aggregated AUM of the top five targeted asset management schemes accounted for 27.6% of the total AUM of our targeted asset management business.

	Management fees	AUM		
		As of December 31,		As of September 30,
		2014	2015	2016
			(RMB in millions)	
Product A	0.03%	70,465.8	59,774.8	69,881.9
Product B	0.05%	66,043.1	56,276.2	50,140.0
Product C	0.05%	13,782.2	20,099.9	25,049.6
Product D	0.08%	—	17,899.1	22,106.8
Product E	0.05%	4,494.2	15,449.4	18,703.2

Specialized Asset Management Business

As of September 30, 2016, we had 14 specialized asset management schemes with total AUM of RMB16,687.8 million.

Our featured specialized asset management schemes include the Huatai Guojun Margin Loan Receivables No. 1 Asset-backed Specialized Scheme (華泰國君融出資金債權1號資產支持專項計劃). This scheme, issued in August 2015, is the first asset-backed securities with margin loan receivables from securities companies as the underlying assets in China. Structured into senior tranche and subordinated tranche, the scheme has raised RMB500.0 million in aggregate. The senior tranche of the scheme was rated AAA and listed on the Shanghai Stock Exchange.

Fund Management

Our fund management business primarily manages mutual funds and provides asset management services to high-net-worth individuals, commercial banks and other institutional investors. We primarily conduct our fund management business through GTJA Allianz Funds. In order to optimize the structure of our fund management business, we plan to dispose our entire equity interest in GTJA Allianz Funds and are in the process of acquiring a 20% equity interest in HuaAn Funds.

GTJA Allianz Funds

GTJA Allianz Funds is the first Sino-foreign joint venture fund management company approved by the CSRC. As of December 31, 2014 and 2015 and September 30, 2016, the AUM of mutual funds managed by GTJA Allianz Funds was RMB24,399.7 million, RMB44,105.0 million and RMB37,804.5 million, respectively; the AUM of GTJA Allianz Funds' segregated accounts was RMB14,440.4 million, RMB22,172.5 million and RMB15,176.4 million, respectively.

The following table sets forth a breakdown of AUM of mutual funds managed by GTJA Allianz Funds by type of fund as of the dates indicated:

	As of December 31,				As of September 30,	
	2014		2015		2016	
	(RMB in millions, except for percentages)					
	AUM	Percentage	AUM	Percentage	AUM	Percentage
Stock funds	214.6	0.9%	139.1	0.3%	191.3	0.5%
Index funds	4,279.2	17.5%	888.6	2.0%	704.3	1.9%
Hybrid funds	9,950.2	40.8%	29,499.3	66.9%	22,624.8	59.8%
Bond funds	2,485.9	10.2%	3,370.5	7.6%	3,214.1	8.5%
Money market funds	7,469.9	30.6%	10,207.4	23.1%	11,069.9	29.3%
Total	**24,399.7**	**100.0%**	**44,105.0**	**100.0%**	**37,804.5**	**100.0%**

In order to optimize the Group's business structure, on January 9, 2017, we publicly offered our 51% equity interest in GTJA Allianz Funds for sale on the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) at the initial tender price of RMB1,045.0 million. As of the Latest Practicable Date our public offer was still outstanding. After the completion of the transaction, we will no longer hold any equity interest in GTJA Allianz Funds.

HuaAn Funds

HuaAn Funds is among the first batch of fund management companies approved by CSRC. According to Wind Info, as of September 30, 2016, HuaAn Funds managed 42 hybrid funds, 18 stock funds, 13 bond funds, eight international (QDII) funds, six money market funds and two alternative investment funds. As of the same date, the total AUM of mutual funds under HuaAn Funds was RMB168,967.0 million.

In February 2014, Shanghai Electric put its 20% equity interest in HuaAn Funds up for sale through public listing on the Shanghai United Assets and Equity Exchange. In April 2014, Guotai Junan Innovation Investment entered into an equity purchase agreement with Shanghai Electric to acquire the 20% equity interest in HuaAn Funds. In September 2015, July 2016 and January, 2017, respectively, Guotai Junan Innovation Investment entered into three supplemental agreements with Shanghai Electric to supplement and renew the equity purchase agreement. As of September 30, 2016, Guotai Junan Innovation Investment has paid a total amount of RMB640.7 million for this equity acquisition. As of the Latest Practicable Date, the equity acquisition was pending approval of relevant regulatory authorities.

Direct Investment

We conduct direct investment business, including private equity investment and principal investment, primarily through Guotai Junan Innovation Investment. Guotai Junan Innovation Investment and its fund management platform act as fund manager for private equity investment funds. Meanwhile Guotai Junan Innovation Investment invests its own funds into the private equity investment funds and realizes profits through investment gains, performance incentives and management fees. We conduct financial or strategic principal investment in high-quality enterprises with our own funds primarily through Guotai Junan Innovation Investment.

Guotai Junan Innovation Investment and government-guided funds, industrial parks, industrial groups, listed companies, financial institutions and social capital jointly promote a series of investment funds, including NEEQ funds, project funds, industrial funds, M&A funds, debt funds and real estate funds. Guotai Junan Innovation Investment follows the philosophy of value investment, and focuses on the profitability and sustainable development of portfolio companies. It has rich investment experience in many sectors, including bio-medicine, IT, energy conservation and environmental protection, new materials, consumption and culture and media, and has established a layered investment project pipeline.

Meanwhile, we actively explore innovative business opportunities based on our strategic planning and conduct strategic investments primarily through Guotai Junan Innovation Investment. We pay attention to investment opportunities in traditional financial sectors including fund, banking, trust, and insurance while also tapping into emerging financial industries. We also explore investment opportunities in the financial technology sector to further our development strategy.

The following table sets out an overview of our private equity investment business for the periods and as of the dates indicated:

	Year ended/As of December 31,		Nine months ended / As of September 30,
	2014	**2015**	**2016**
Number of managed funds[(1)]	4	22	39
Cumulative committed capital of managed funds (RMB in millions)	979.3	6,566.4	12,148.8
Cumulative paid-in capital of managed funds (RMB in millions)	624.3	5,850.6	9,401.5
Number of investment projects	2	55	31
Investment amount (RMB in millions)	30.1	3,344.3	1,510.8

Note:

(1) Managed funds includes all private equity investment funds in which the general partners (or managers) are our subsidiaries or associates and which manage third-party funds.

The following table sets out an overview of our principal investment business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
Number of investment projects	14	4	—
Investment amount (RMB in millions)	451.1	157.2	—

As of September 30, 2016, among the portfolio companies of Guotai Junan Innovation Investment, three had been listed on the A share market and 28 had been listed on NEEQ. As of the same date, Guotai Junan Innovation Investment has exited from three portfolio companies. Investments in these three companies generated a total investment yield of 62.8%, calculated by dividing total income upon exit by initial investment amount. Revenue of our direct investment business increased from RMB212.5 million for the year ended December 31, 2015 to RMB3,029.1 million for the nine months ended September 30, 2016, primarily due to the disposal of our 66.7% equity interest in Haiji Securities in February 2016 and realized a gain of RMB2,835.3 million.

International Business

In Hong Kong, we primarily conduct brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses through Guotai Junan International. Meanwhile, we have built our international business platform around Guotai Junan Financial Holdings. We have expanded our business into the United States and Singapore and are qualified to conduct M&A advisory business in the United States and asset management business in Singapore.

Guotai Junan International is a forerunner and leader in the internationalization of PRC securities companies. In July 2010, Guotai Junan International became the first PRC securities company conducting business in Hong Kong to be listed in Hong Kong through an IPO. In March 2011, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite Index. In September 2015, Guotai Junan International was admitted as a constituent stock of the Hang Seng Composite MidCap Index. As of September 30, 2016, the market capitalization of Guotai Junan International was HK$20,454.0 million.

Our international business has established a comprehensive business platform centered around Hong Kong, and provides diversified and integrated financial services to both domestic and overseas clients through close cooperation between our domestic and international business teams. With our large client base in China, our international business proactively captures the business opportunities in overseas listing and financing, overseas investment and cross-border M&A from Chinese enterprises. We have enhanced the cross-border operation of our wealth management business by capturing cross-border investment opportunities provided by the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect, Mainland-Hong Kong Mutual Recognition of Funds, and

exploring in depth the cross-border wealth management demand of affluent and high-net-worth clients. Meanwhile, we have been actively developing our cross-border asset management services and products, primarily through QDII, QFII and RQFII asset management schemes, to provide domestic and foreign investors with tailored cross-border investment services.

The following table sets forth a breakdown of the revenue of Guotai Junan International by business lines for the periods indicated:

	Year ended December 31,			
	2014		2015	
	(HK$ in millions, except for percentages)			
	Amount	Percentage	Amount	Percentage
Brokerage	501.6	30.3%	719.9	31.6%
Corporate finance	287.8	17.4%	281.4	12.4%
Asset management	46.4	2.8%	53.1	2.3%
Loans and financing	722.5	43.6%	1,076.0	47.3%
Financial products, market making and investments	98.3	5.9%	146.1	6.4%
Total	**1,656.6**	**100.0%**	**2,276.5**	**100.0%**

The following table sets forth major awards received by Guotai Junan International during the Track Record Period.

Year	Awards	Awarding body
2016	Best Securities Company of the Year Award	The 14th China Finance and Economy Overseas Industry Billboard by Hexun.com
	Best Securities Company of 2016	Asia Risk
2015	Best Refinancing Investment Bank	China Securities Golden Bauhinia Awards 2015 by Ta Kung Pao
	Third Prize in Best Performance of Fixed-income Category in Greater China	Offshore Chinese Fund Award 2015 by Chinese Asset Management Association of Hong Kong and Bloomberg
2014	Best Securities Company Brand in Hong Kong	The 12th China Finance and Economy Billboard by Hexun.com

Brokerage

Guotai Junan International's brokerage business primarily comprises securities, futures, options as well as leveraged foreign exchange trading and brokerage services. Its online trading platform

supports eight securities markets, including Hong Kong, the United States, the United Kingdom, Japan, Canada, Singapore, PRC A share and B share markets and over 20 global futures and options markets and eight currency pairs including offshore RMB and 21 cross-currency pairs in leveraged foreign exchange trading. Guotai Junan International's securities brokerage business also covers stock markets in France, Germany, Australia, Korea, Malaysia and Taiwan as well as global fixed income markets. Guotai Junan International also provides insurance brokerage services.

Corporate Finance

Guotai Junan International provides corporate finance services to Hong Kong, PRC and international clients, including equity capital markets, debt capital markets, consulting and financial advisory services. Guotai Junan International has served as the sole or a joint sponsor in many landmark IPO deals. Guotai Junan International ranked third among PRC securities companies in Hong Kong in terms of the aggregated amount of equity underwritten during the Track Record Period.

Asset Management

Guotai Junan International provides a range of asset management services, including portfolio management, investment advice and transaction execution to individual clients, private funds and mutual funds. In addition, Guotai Junan International also conducts fund management business.

Loans and Financing

The loans and financing business of Guotai Junan International comprises margin loans, term loans, securities borrowing and lending, IPO loans as well as other loans and bank deposits. The loans and financing business and brokerage business of Guotai Junan International complements each other.

Financial Products, Market Making and Investments

Guotai Junan International sells customized financial products and provides market-making services for debt securities and ETFs. The investment business of Guotai Junan International primarily comprises pre-IPO investments, investments in listed companies and prospective listed companies as well as investments in funds.

Non-competition Undertaking

On June 19, 2010, the Company entered into a deed of non-competition undertaking with Guotai Junan International pursuant to which the Company has undertaken with Guotai Junan International:

(i) not engage in, invest in, participate in, or attempt to participate in,

  (a) in Hong Kong and/or any other countries (excluding the PRC), in respect of business involving Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange and trading), Type 4 (advising on securities) or Type 5 (advising on futures contracts) regulated activities under the SFO and business involving precious metals; and

(b) in Hong Kong, in respect of the other regulated business in Hong Kong other than the above businesses, including but not limited to Type 6 (advising on corporate finance), Type 7 (providing automated trading services), Type 8 (securities margin financing) or Type 9 (asset management) regulated activities under the SFO and other regulated business in Hong Kong;

any business which competes with the business engaged in by Guotai Junan International; and

(ii) not make use of any information pertaining to the business of Guotai Junan International which has come to our knowledge in our capacity as the controlling shareholder for the purpose of competing with the business engaged by Guotai Junan International.

The above non-competition undertaking is effective from June 19, 2010 to the earlier of (i) the date on which the Company ceases to be the controlling shareholder of Guotai Junan International; and (ii) the date on which the shares of Guotai Junan International cease to be listed on the Hong Kong Stock Exchange.

INFORMATION TECHNOLOGY

We believe that IT is critical to the future growth of securities companies and highly value IT as the driver of our business growth. We have devoted substantial strategic resources to IT, continued to innovate in IT for the securities industry, and developed industry-leading IT capabilities.

Advanced Capabilities of Information Technology

As of September 30, 2016, we have received 14 Securities and Futures Industry Science and Technology Awards, the top award of IT in the securities industry, making us the most frequent recipient of this award. We are also the only securities company to receive the First Class China Securities and Futures Industry Science and Technology Award. We have led the formulation of over ten major technology standards and specifications, and are one of the pioneers in the application of IT in the securities industry.

- In 2003, we were the first securities company in the industry to implement centralized trading, centralized risk control and centralized financial management.

- In 2014, we established a new data center, which is the only high grade, high capacity and independent data center park in the securities industry to date. When the daily trading volume of stocks and funds of the market increased sharply to nearly RMB2.5 trillion in 2015, our ability to process 50,000 transactions per second ensured efficient and smooth trading, clearing and settlement. Currently, our data center supports 200,000 transactions per second and is expected to support RMB10 trillion daily trading volume of stocks and funds of the market.

- In 2011, we became the first securities company to obtain the ISO20000 certification. In 2015, we became the first securities company to obtain the CMMI3 certification in the securities and futures industry. We are also the only PRC securities company that has all of the three major IT certifications, namely CMMI3, ISO20000 and ISO27001.

Information Technology as Driver of Business Growth

Advanced IT capacities have provided strong support for the safe operation, coordination, cooperation, innovation and transformation of our businesses. We continue to invest in technology and innovation, and utilize our technology to maintain the industry-leading positions of our various businesses. We use leading information technologies to guide our business decisions and create value:

- In 2004, we launched a four-layered multi-core centralized trading system based on PC servers under a cloud computing model. This system is the first centralized trading system in the industry that supports more than 100 securities branches, which reduced setup and operating costs of securities branches and improved their operating efficiency.

- We were the first in the industry to launch a third-party depository system under a multi-bank model, which ensures the safety of trading and settlement funds for our clients while facilitates innovation and efficiency in the securities market and provides convenience to investors.

- We were the first to develop Internet securities technology in China and the first securities company to introduce specialized PC trading software, Fu Yi (富易). We are the first in the industry that allowed a client to open an account online which was verified through remote video, and also the first securities company to introduce the Shanghai-Hong Kong Stock Connect and Free Trade Zone business system.

- In 2011, we were the first to introduce a comprehensive financial services innovative platform. Through the fusion of and innovation between traditional architecture and Internet architecture, we integrated our business resources, opened up the PBOC payment channel, and achieved comprehensive coverage of business products and services, including securities, asset management, futures, bank wealth management, OTC markets, precious metals, payment and foreign exchange.

- We pioneered the development of big data technology. In 2014, we built clients profiles with more than 500 labels and accurately analyzed them to formulate our strategies in key areas including brokerage commission rate, business network layout, new product design and investment and financing product promotion.

- Our mobile app has rich functions that focus on strengthening the Internet experience, providing intelligent analysis tools and delivering tailored investment advices and financial services to clients. These app functions also enhance the capabilities of our clients in stock selection, market timing, asset allocation and risk management, and their abilities in investment and wealth management, based on big data analysis.

Information Technology as Support to Management

Advanced IT also allows us to improve the management of our business.

- Our advanced financial management information system and risk management information system timely track our financial data, liquidity data, risk exposure and the value of various risk management indicators. This tracking facilitates asset allocation of each business as well as day-to-day supervision and report over business scope and risk limit, which enables our management to respond to changes in a timely manner and guarantees the stable operation of our business.

- We were one of the first PRC securities companies to establish a proprietary risk management system and compliance management system as well as introduce an innovative off-site auditing system. We combine the proprietary risk management system and compliance management system with leading financial monitoring system, so as to ensure that we maintain industry-leading position in terms of risk management and internal control.

Intellectual Property Rights

As of November 30, 2016, we had registered 121 trademarks and 69 domain names and were in the process of applying for the registration of 68 trademarks in China. As of the same date, we had registered nine trademarks and three domain names and were in the process of applying for the registration of seven trademarks in Hong Kong. For details, see "*Appendix VIII—Statutory and General Information—2. Further Information about Our Business—B. Our Intellectual Property Rights*".

As of the Latest Practicable Date, our intellectual property rights had never been violated nor had there been any alleged infringement.

Major Customers and Suppliers

We serve different individual, institutional and corporate clients across various sectors. Our clients are primarily located in China and Hong Kong. We expect to serve more overseas clients in the future as we further expand our international business.

For 2014, 2015 and nine months ended September 30, 2016, revenue from our five largest customers accounted for less than 2% of our total revenue.

To the knowledge of our Directors, as of the Latest Practicable Date, none of our Directors, Supervisors and their respective associates or any Shareholder that holds over 5% of our issued share capital has any interest in any of our five largest customers.

Due to our business nature, we have no major suppliers.

Market and Competition

As of September 30, 2016, there were 127 registered securities companies in China. According to Wind Info, the securities company with the highest revenue among all securities companies only accounted for less than 9% of the industry's total revenue in 2015. The PRC securities industry is highly regulated and the PRC securities companies must comply with a large number of regulations in every aspect, including business license, scope of products and services, business development and risk management. Competition in the PRC securities industry has been and will likely remain intense. Our major competitors are other securities companies with similar service scope and business scale. We also compete with other financial institutions, including fund management companies, commercial banks, insurance companies and trust companies. We compete on many aspects, including market penetration, range of products and services, price, innovation capability, quality of service, marketing and sales channels, execution capability, reputation and employee compensation.

For our institutional finance business, we compete primarily with other securities companies as well as commercial banks (principally on debt underwriting business) in terms of brand recognition, product portfolio, marketing and underwriting capabilities, service quality, financial strength and pricing. For our personal finance business, we compete primarily with other securities companies in terms of pricing and the scope and quality of products and services. For our investment management business, we compete primarily with other securities companies, fund management companies, commercial banks and insurance companies in terms of the scope of products and services, pricing and quality of client services. For our international business, we mainly compete in Hong Kong with other securities companies in brand recognition, product portfolio, service quality and pricing. We are also exposed to intense competition from other foreign financial institutions as we plan to expand our international business.

Some of our competitors may enjoy certain competitive advantages, including greater financial resources, more sophisticated management experience, more advanced IT systems, wider geographic coverage, better understanding of local markets and the ability to offer more diversified financial product and services. In recent years, other financial institutions such as domestic commercial banks, insurance companies and trust companies are using their advantages in capitals, channels and client resources to expand into traditional business segments such as investment banking, asset management and wealth management, and seek to tap into the securities industry through establishment of new business or M&A. If regulations on comprehensive operation changes in the future, the securities industry may face even greater competition. Moreover, as China gradually opens its securities industry to the world, increases the shareholding cap of foreign investors in securities companies and broadens the business scopes of foreign-invested securities companies, international investment banks with strong capital, advanced management and excellent business capabilities will participated in domestic markets more frequently, which will further increase the competitive pressure on the domestic securities companies. We believe that, the financial service industry in China will become increasingly competitive, which will accelerate transformation and differentiated development of PRC securities companies.

We are also exposed to competition in attracting and retaining talents. Securities companies are also facing intense competition in needs for sponsor representatives, financial consultants, investment managers, research analysts and IT experts. Our ability to compete continuously and effectively in business is also subject to our ability to attract more talents and retain and motivate existing talents.

Employees

As of September 30, 2016, we had 10,565 employees. The following table sets forth a breakdown of employees according to their business function as of the same date:

	Number	Percentage (%)
Business	6,651	63.0%
Business support	3,455	32.7%
Management	459	4.3%
Total	**10,565**	**100.0%**

The following table sets forth a breakdown of employees of the Group by education background as of September 30, 2016:

	Number	Percentage (%)
Doctor's degree or doctoral candidate	126	1.2%
Master's degree or post graduate	2,590	24.5%
Bachelor's degree or undergraduate	6,179	58.5%
Associate's degree or below	1,670	15.8%
Total	**10,565**	**100.0%**

The following table sets out a breakdown of employees of the Group by geographic regions as of September 30, 2016:

	Number	Percentage (%)
Shanghai	3,796	35.9%
Other provinces in the PRC	6,423	60.8%
Hong Kong and overseas	346	3.3%
Total	**10,565**	**100.0%**

An outstanding team is the foundation of our sustainable growth. We are committed to select the most talented individuals for all of our positions. We recruit and retain talented professionals through a series of measures, including a strict recruitment and selection process, a competitive compensation structure, an effective performance evaluation system and long-term employee development schemes. We have a rigorous talent training system, by which we generally promote talents internally to lead our business divisions in order to best inspire teamwork and spread our corporate culture. We have

also established a large external talent database to identify, locate and track the most talented individuals in the market to complement and enhance our team. As a result of our excellent market reputation, good career development paths and a market-oriented incentive system, our employees are proud of working for us.

Our sustainable growth depends on employee career development. We have adopted a comprehensive performance evaluation mechanism to align the career development of our employees with our growth. In order to improve the professional skills of our employees, we provided them with diversified internal and external training. Our internal training programs include lectures, video conference and online training. We encourage our employees to participate in business-related qualification examinations and examinations required under relevant regulations. We also send our core employees to renowned universities in China and overseas, such as Tsinghua University, Peking University, Shanghai Jiaotong University, the Wharton Business School at University of Pennsylvania and Harvard University to participate in training courses and exchange programs. We also invite professionals from leading financial institutions to host training for our employees.

We are committed to establishing a competitive compensation system. We annually adjust employee compensation based on the market and industry trends, so that our remuneration packages remain competitive in the industry. We continue to improve our internal remuneration and incentive policies, long-term incentive plan and remuneration structure in order to link employee interests with our long-term business development and enhance the loyalty of our employees.

We value our employees welfare and continuously improve our welfare system. In the PRC, in addition to national compulsory welfare plans, we offer our employees benefits such as supplementary medical insurance, annuity, physical examinations and medical insurance for family members. In Hong Kong and overseas, we offer our employees various benefits according to the local laws and regulations.

As of September 30, 2016, we had 266 dispatched workers from labor dispatch service providers in China to assume administrative and back-office functions. According to the relevant labor dispatch contracts and agreement between the parties, we are required to bear the costs of salaries, social insurance and other employee benefits as well as administrative fees of these dispatched workers, while the labor dispatch service providers are responsible for paying the salaries, various social insurance fees and other fees for the dispatched workers.

During the Track Record Period, we have not experienced any strikes, protests or other material labor disputes that may materially impair our business and corporate image. We have established a labor union and we believe that we have maintained a good relationship with our employees, whom we value at all times.

PROPERTIES

Our headquarters is located at No. 168, Yincheng Central Road, Pudong New District, Shanghai, PRC. The following table sets forth our owned and leased properties as of November 30, 2016:

	Number	Gross floor area
PRC		(sq.m.)
Owned properties		
Properties for operation purposes[(1)]	98	123,401.5
Properties for non-operation purposes[(2)]	105	17,556.1
Sub-total	203	140,957.6
Leased properties	498	331,742.3
Hong Kong		(square feet)
Owned properties	3	44,611.0
Leased properties	2	12,914.0

Notes:

(1) Properties for operation purposes are mainly used for operation or office.

(2) Properties for non-operation purposes are mainly used for staff dormitories.

Our owned and leased properties are mainly used for operations, offices and staff dormitories.

In addition, as of November 30, 2016, we owned a land parcel of approximately 5,957 square meters in the PRC for the construction of an office building with planned gross floor area of 42,621 square meters.

As of September 30, 2016, our property interests represented approximately 0.8% of our total assets and no single property accounted for 15% or above of our total assets in terms of book value. Accordingly, this document is exempted from the requirement under Chapter 5 of the Hong Kong Listing Rules and section 342(1)(b) of Companies (Winding Up and Miscellaneous Provisions) Ordinance that the interests in lands and buildings shall be included in the valuation report according to paragraph 34(2) of the Third Schedule to Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Owned Properties for Operation Purposes in PRC

As of November 30, 2016, among the owned properties for operation purposes in PRC,

- for 85 properties with an aggregate gross floor area of approximately 75,252.6 square meters, we have obtained land use rights certificates, building ownership certificates, or other valid title documents , and the actual usage of such properties are in compliance with the usage as stated in the building ownership certificates. Our PRC legal advisors confirmed that we have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties.

- for five properties with an aggregate gross floor area of approximately 29,619.1 square meters, we have obtained real property ownership certificates, but the actual usage of such properties are not in full compliance with the usage as stated in the building ownership certificates. The usage of such properties as stated in the building ownership certificates are plants. However, as such properties are located in the Shanghai Bank Card Industrial Park (上海市銀行卡產業園), we use them as data center, clearing center and computer room, which is in compliance with the positioning function of the Shanghai Bank Card Industrial Park and relevant requirements of local government. As advised by our PRC legal advisors, there is no substantive legal impediments for us to continue occupying and using such properties.

- for two properties with an aggregate gross floor area of approximately 9,802.2 square meters, we have obtained building ownership certificates but have not obtained state-owned land use certificates, due to, among other things, the non-payment of land premiums by developers. Since we have obtained the building ownership certificates for these two properties, there are no title disputes in respect of such properties, but our right to dispose of such properties may be subject to relevant restrictions.

- for six properties with an aggregate gross floor area of approximately 8,727.7 square meters, we have not obtained building ownership certificates, due to, among other things, non-compliant land planning or use, failure to apply for title change registration after several transfers, failure to obtain state-owned land use certificates and building ownership certificates for the whole buildings or failure to reach an agreement with the government on the replacement of houses for urban redevelopment projects by developers.

Our Directors confirm that the foregoing title defects would not have any material impact on our business or financial condition or on this [REDACTED].

Owned Properties for Non-operation Purposes in PRC

As of November 30, 2016, among the owned properties for non-operation purposes in PRC,

- for 50 properties with an aggregate gross floor area of approximately 6,596.8 square meters, we have obtained land use rights certificates, building ownership certificates, or other valid title documents.

- for 55 properties with an aggregate gross floor area of approximately 10,959.3 square meters, we have not obtained state-owned land use rights certificates, building ownership certificates, or other valid title documents.

We plan to dispose of properties for non-operation purposes owned by us. Our Directors confirm that the foregoing title defects would not have any material impact on our business or financial condition or on this [REDACTED].

Owned Land Parcel and Property Under Development in the PRC

As of November 30, 2016, we owned a land parcel of approximately 5,957 square meters in the PRC, for the construction of an office building with planned gross floor area of 42,621 square meters. As advised by our PRC legal advisors, we have been granted relevant land use right certificate and obtained the corresponding project registration document, environmental impact assessment approval, land use approval, construction planning permit and construction works commencement permit for the development and construction project on the land according to the project construction process. As of the Latest Practicable Date, the property was under construction.

Leased Properties in the PRC

As of November 30, 2016, among the leased properties in the PRC,

- for 425 properties with an aggregate gross floor area of approximately 295,736.1 square meters, our landlords have obtained relevant title certificates, including the building ownership certificates. As advised by our PRC legal advisors, the lease contracts entered into by the lessors and us in relation to such properties are legal and valid. Our rights under such lease contracts are protected by the PRC laws.

- for 15 properties with an aggregate gross floor area of approximately 5,870.4 square meters, our landlords have obtained the relevant building ownership certificates, but the actual usage of such properties are not in full compliance with the usage as stated in the building ownership certificates. As advised by our PRC legal advisors, according to the relevant requirements of the PRC laws, properties with changed usage in violation of relevant regulations are prohibited from renting. Our rights under such leases may not be protected by the PRC laws. We do not consider that these 15 properties are crucial to our core business given their small size, and we believe we will be able to relocate in a timely manner at minimum expense and this would not materially affect our business or financial position.

- for five properties with an aggregate gross floor area of approximately 2,805.6 square meters, the lease contracts have expired and we are currently in or preparing to begin renewal procedures, or preparing for relocation. We are of the view that there is no substantial obstacle in respect of the aforesaid renewal procedures.

- for 53 properties with an aggregate gross floor area of approximately 27,330.3 square meters, the lessors as stated in the lease contracts have not obtained relevant title certificates such as building ownership certificates or the permission issued by competent authority to lease the properties by lessors. Our PRC legal advisors are unable to confirm that (i) such lessors are the proper contracting parties to such lease contracts, (ii) such lease contracts are legal and valid, or (iii) our interest under such lease contracts are protected by the PRC laws. However, the lessors of such properties have generally represented or guaranteed in the relevant lease contracts that they are the legal owner of the leased

premises. In accordance with the PRC laws and the provisions of relevant lease contracts, we are entitled to require the lessors to indemnify us for any loss incurred in the event of such leases being challenged by a third party and our interest under such lease contracts being affected accordingly.

Our Directors confirm that, in the event that we are unable to enforce the lease agreements and are required to relocate due to the defective titles of the leased properties or the invalidity of the lease agreements, we will be able to find suitable substitutes. Our Directors confirmed that although we may incur additional relocation costs therefrom, there would be no material impact on our business or financial condition or this [REDACTED]. Our Directors are of the view that the defective titles will not individually or collectively have a material and adverse effect on our business because (i) among the foregoing 53 leased properties for which the lessors have not obtained relevant title certificates including building ownership certificates or the permission issued by competent authority to lease the properties by lessors, the lessors have generally represented or guaranteed in the relevant lease contracts that they are the legal owner of the leased premises; (ii) we do not consider that these 53 properties are crucial to our core business given their small size; and (iii) we believe we will be able to relocate in a timely manner at minimum expense and this would not materially affect our business or financial position.

In addition, our Directors are of the view that the rental costs for the 53 properties with defective title would not be materially different should the landlords obtain the relevant title certificates.

Properties in Hong Kong

As of November 30, 2016, we owned a total of three properties in Hong Kong with an aggregate gross floor area of approximately 44,611.0 square feet. Such properties owned by us are held under government grants or leases. As of the Latest Practicable Date, such properties are free from title defects or potential title defects.

As of November 30, 2016, we leased two properties in Hong Kong with an aggregate gross floor area of approximately 12,914.0 square feet. They are leased under two tenancy agreement which do not contain any covenants, easements, exceptions or reservations of an unusual or unduly onerous nature for an agreement of this nature. As of the Latest Practicable Date, these properties were not subject to any material issues.

INSURANCE

We maintain insurance coverage for certain of our assets, including IT equipment and motor vehicles. Consistent with customary industry practice in the PRC, we do not maintain any business interruption insurance.

We believe that we have maintained such insurance coverage as we consider necessary and sufficient for our operations and customary for the industry and the geographic areas in which we

operate. Moreover, our policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by us and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies.

All of our insurance policies are underwritten by reputable insurance providers and we review our insurance policies annually.

LEGAL AND REGULATORY

Licensing Requirements

We conduct our business mainly in the PRC and Hong Kong. As a result, we are principally subject to the relevant regulations of the PRC and Hong Kong. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant regulatory requirements and guidelines in the jurisdictions where we operated in all material respects, and obtained the permits and licenses necessary for our operations in accordance with the laws and regulations in the jurisdictions where we operate.

We renew all of our permits and licenses from time to time to comply with the relevant laws and regulations. Our Directors have confirmed that, to the best of their knowledge, as of the Latest Practicable Date, all of our employees and brokers had obtained the relevant licenses required for their business activities. Since our A Share offering in June 2015 and up to the Latest Practicable Date, neither we nor any of our Directors had been subject to auditing or administrative penalties by the CSRC, nor had any of us or them been criticized or publicly reprimanded by the Shanghai Stock Exchange for violations of any listing rules or other relevant applicable rules.

Pursuant to the licensing regimes of the SFC, our subsidiaries incorporated in Hong Kong are required to obtain licenses necessary to conduct their businesses in Hong Kong. For details, see "*Appendix V—Regulatory Environment—Overview of Licensing Requirements*".

Legal Proceedings

We are a party to a number of legal proceedings arising in the ordinary course of our business. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us nor our Directors that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations. However, we believe that the following pending legal proceeding warrants particular attention:

Cheng Shifeng Wealth Management Contracts Litigations

From 2010 to 2013, Cheng Shifeng (程士峰), a former employee of the Company, entered into unauthorized wealth management products contracts and entrustment agreements with 20 individuals for purchasing wealth management products for them. As of December 20, 2016, the People's Court of Hongshan District, Chifeng City, Inner Mongolia accepted 15 separate civil lawsuits brought by 16

individuals against the Company. The plaintiffs of these 15 lawsuits separately alleged that entering into wealth management product contracts and entrustment agreements as well as receiving client money by Cheng Shifeng constituted actions performed in his corporate capacity. These plaintiffs claimed that the Company should repay the principal amount of approximately RMB53.9 million in total, together with the accrued interest, of their investments. As of the month of the lawsuits, the aggregated amount of the claims, including the principal and accrued interest of the relevant wealth management products, was approximately RMB124.7 million.

As these lawsuits are currently on-going, we are unable to estimate the timetable or the outcome of these lawsuits. Our PRC legal advisor has confirmed that, based on PRC laws and regulations, should the court judge in favor of any of the plaintiffs of these 15 lawsuits, these lawsuits will not have a material and adverse effect on the continuation of our business operation. After discussing with our PRC legal advisors, our Directors have confirmed that, the above lawsuits will not have a material and adverse effect on our business, financial condition or results of operations. Due to the uncertainty in the results for these lawsuits, we did not make any provision for contingent liabilities during the Track Record Period.

Regulatory Non-compliance

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities and self-regulatory industry associations in the PRC, Hong Kong and other jurisdictions where we operate, including but not limited to, the PBOC, the CSRC, the SAC, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, NEEQ Co., the Hong Kong Stock Exchange as well as the SFC and their respective local branches and offices. We have attained Class A Grade AA regulatory rating from the CSRC for nine consecutive years from 2008 to 2016. Class A Grade AA is the highest rating ever attained by any securities company to date.

We or our employees have, from time to time, been involved in incidents of regulatory non-compliance and received notices and warnings from, or been fined by, the relevant regulatory authorities. We or our employees have also been involved in certain non-compliance incidents that led to the deduction of our regulatory points. The main consequence of regulatory points deduction is that it may lead to a downgrade of our regulatory rating. However, such incidents have had no material and adverse impact on our business and results of operations. See "*Risk Factors — Risks Relating to Legal, Compliance and Regulatory Matters — We are subject to extensive and evolving regulatory requirements*".

We set out below the details of our non-compliance incidents, which led to the deduction of regulatory points during the Track Record Period and up to the Latest Practicable Date, and the primary remedial measures adopted:

Non-compliance Incidents	Overview and Primary Remedial Measures
On November 22, 2016, a client of the Company experienced anomalies when submitting data for its early repayment of a stock-pledged financing transaction due to the fact that when upgrading the relevant technical systems for its stock-pledged financing business, the Company misinterpreted the related data domains specified in the interface description of the Shanghai Stock Exchange and incorrectly adjusted the parameters of related data domains. Such anomalies led to significant differences in the transaction settlement funds and the misappropriation of transaction settlement funds of other clients. On December 26, 2016, the Shanghai Stock Exchange imposed a regulatory measure against the Company of a regulatory concern.	This incident was due to the Company's inadequate control of system upgrades, insufficient understanding of the business and relevant interfaces, failure to timely communicate with the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited over key issues or uncertainties and insufficient work done as to test scenarios and test cases. The Company imposed accountability measure against the relevant personnel including compliance alerts and mainly adopted the following remedial measures: 1. made software changes to the related technical systems; 2. improved the standards for business changes and testing, further strengthened the joint testing by technical and business personnel, improved the management and control of system changes, further enhanced relevant quality control and committed to strictly control the system changes; 3. performed comprehensive code check, particularly on stock-pledged financing business and margin financing and securities lending business, and performed regression testing on all businesses; and 4. further strengthened training and research on the business and technology interfaces, enhanced discussion and coordination on system changes among business and technological personnel, and strengthened communications with the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited. The Company submitted a report in respect of this incident to the Shanghai Stock Exchange on January 3, 2017. As of the Latest Practicable Date, the Company has not received any follow-up on this incident from the Shanghai Stock Exchange.
In 2016, clients of the Company had received a number of telephone warnings and warning letters from the Shenzhen Stock Exchange in respect of abnormal transactions. On November 9, 2016, a client of the Company gave large, successive and frequent buying orders on a stock listed on the Shenzhen Stock Exchange through his own and his related accounts, which materially impacted the price and trading volume of the stock. On November 9, 2016, the Shenzhen Stock Exchange imposed a regulatory measure against the Company of a regulatory interview for the Company's failure to properly perform its responsibility in managing and controlling client transactions.	This incident was due to the deficiencies in the Company's mechanism for communication and feedback on regulatory information about abnormal client transaction with the stock exchange and its inadequacy in properly managing abnormal client transactions. The Shenzhen Stock Exchange interviewed the Company's compliance officer and head of the relevant department at the specified time. In accordance with such interview, the Company mainly adopted the following remedial measures:

Non-compliance Incidents	Overview and Primary Remedial Measures
	1. improved the process of handling and providing feedback on regulatory information from the stock exchange and strengthened the communication and reporting between the Company's headquarters and securities branches; required the securities branches to report to the compliance department of the headquarters the contents of the telephone warning from the stock exchanges and the headquarters to establish a ledger of abnormal transactions and input such information into the monitoring system to enhance the follow-up monitoring on key accounts and stocks; 2. further enhanced the training at our securities branches on strengthening cooperation with the stock exchanges in respect of monitoring abnormal transactions, enhanced its management on the securities branches with respect to cooperation with regulatory authorities over abnormal transactions and imposed compliance accountability measures on underperforming securities branches; and 3. based on regulatory trends, further adjusted the thresholds of abnormal transaction monitoring indicators, monitored the concerted activities in a client's related accounts, stayed vigilant on irregular market incidents and strengthened supervision on individual incidents. The Company submitted a rectification report in respect of this incident to the Shenzhen Stock Exchange on November 29, 2016. As of the Latest Practicable Date, the Company had not received any follow-up on this incident from the Shenzhen Stock Exchange.
The Company, as the sponsor for the IPO and listing on the Shanghai Stock Exchange of Jinhui Liquor Co., Ltd. (金徽酒股份有限公司), failed to truthfully disclose the profit distribution of this company for 2015 in the post-hearing major event undertaking letter submitted to the CSRC, and failed to proactively perform its obligation to inform the CSRC of the completion of the dividend distribution. As a result, on August 16, 2016, the CSRC imposed a regulatory measure against the Company of a warning letter and a regulatory measure against Hao Yanhui (郝彥輝) and Zhang Bin (張斌), our sponsor representatives, of a six-month suspension of acceptance of applications in relation to administrative approvals.	This incident was due to the failure of the Company, Hao Yanhui and Zhang Bin to effectively comply with the relevant regulatory and internal control requirements in relation to post-hearing major event disclosure. In the process of the relevant company's listing, Hao Yanhui and Zhang Bin required this company to make a complete and truthful disclosure of its profit distribution for 2015 and the latest status of its profit distribution in its prospectus. However, Hao Yanhui and Zhang Bin failed to disclose the profit distribution in the post-hearing major event undertaking letter due to their failure to keep abreast of the CSRC's review requirement which prohibits distribution of profit after public offering review hearing. The Company has imposed accountability measures against the project personnel in the form of deduction of annual compliance and risk management review points and bonuses. The Company further improved the due diligence awareness of frontline business personnel through enhanced training, enhanced supervision and strengthened work disciplines. The Company also adopted the following remedial measures: 1. strengthened the supervision and management of each process of the entire business execution flow; 2. improved the reporting system in the project operation process, increased the frequency of on-site inspections by the quality control team and specialized internal control reviewers in the project operation process, strengthened the review of application materials and enhanced the dynamic and timely monitoring of projects; and 3. enhanced the supervision and accountability of the sponsor representatives and project personnel.

Non-compliance Incidents	Overview and Primary Remedial Measures
On May 20, 2014, Tianjin Huanyu Rubber & Plastic Products Manufacturing Corporation (天津環宇橡塑股份有限公司) and Tianjin Heizi Foods Co., Ltd. (天津市黑子食品有限公司) jointly guaranteed a loan of RMB20.0 million for Tianjin Jingtong Seamless Steel Tube Co., Ltd. (天津市精通無縫鋼管有限公司). The creditor initiated legal proceedings against Tianjin Jingtong Seamless Steel Tube Co., Ltd. for its default on the loan. On May 26, 2015, the court ruled that Tianjin Huanyu Rubber & Plastic Products Manufacturing Corporation, Tianjin Jingtong Seamless Steel Tube Co., Ltd. and Tianjin Heizi Foods Co., Ltd. should each assume part of the repayment obligations. On August 2, 2016, the NEEQ Co. imposed regulatory measures against the Company of an interview and submission of written undertakings because the Company, as the chief agency broker of Tianjin Huanyu Rubber & Plastic Products Manufacturing Corporation, failed to disclose its legal proceedings in its public transfer statement and other application documents.	This incident was due to the failure of the Company to effectively comply with relevant regulatory and internal control requirements in relation to carrying out sponsorship business with due diligence and care. The Company's project personnel failed to discover such legal proceedings on a timely basis due to their lack of awareness and understanding of the rules in relation to due diligence on subsequent events and their failure to adequately investigate material events such as material legal proceedings. The Company imposed accountability measures against relevant project personnel including compliance interviews and deduction of annual compliance and risk management review points and bonuses. The Company has implemented the following remedial measures: 1. organized training for our NEEQ business team to further enhance their awareness and understanding of the due diligence rules; 2. standardized the post-application verification procedure of material events, enhanced internal controls over project execution quality, and conducted a step-by-step review of material post-application events, including in particular usage of funds by related parties, unauthorized provision of external guarantees, material legal proceedings and equity pledges; and 3. appointed dedicated personnel to ensure that all material events will be reported to NEEQ Co. on a timely and accurate basis. The Company's relevant personnel have been interviewed by and submitted written undertakings to NEEQ Co. within the required period. On August 25, 2016, the Company submitted a report in respect of this incident to the CSRC Shanghai Bureau. As of the Latest Practicable Date, the Company has not received any follow-up on this incident from NEEQ Co. or the CSRC Shanghai Bureau.
Guotai Junan Asset Management, as the manager of Guotai Junan Xinli No. 6 Collective Asset Management Scheme (國泰君安新利6號集合資產管理計劃), bought shares in related companies of the principals pursuant to their investment advice. On July 5, 2016, the CSRC Shanghai Bureau imposed regulatory measures against Guotai Junan Asset Management of ordering it to increase the number of internal compliance checks and to timely submit compliance check reports, because Guotai Junan Asset Management failed to adequately perform its due diligence obligations as an asset manager.	This incident was due to the failure of Guotai Junan Asset Management to adequately control its investment and trading process, in particular its failure to conduct sufficient research on investment targets and adopt effective measures to prevent conflicts of interest. Guotai Junan Asset Management imposed accountability measures against relevant project personnel of compliance interviews, compliance warnings and demotion. It has also implemented the following remedial measures: 1. comprehensively reviewed and optimized the research and investment business flow and further improved the decision-making process for investment in discretionary management products; required due diligence and prudent, objective and independent investment judgement from the perspective of an asset manager for external investment; and required active screening on investment advice from principals of discretionary management products as well as effective measures to prevent the occurrence of events which are likely to result in conflicts of interests; 2. increased the number of compliance checks to prevent non-compliance risks in response to regulatory requirements and compliance management needs; conducted monthly special compliance self-checks in the second half of 2016, the scope of which covered the investment and operation of Xinli No. 6, investment research business flow as well as investment decisions and operation of other collective asset management schemes; and 3. enhanced the compliance management system, strengthened the compliance accountability mechanism, improved the awareness of active compliance among all staff and adopted a zero-tolerance policy for non-compliance to support compliance management.

Non-compliance Incidents	Overview and Primary Remedial Measures
	On July 29, 2016, Guotai Junan Asset Management submitted a report in respect of its implementation of administrative regulatory measures and records of its comprehensive self-checks and self-rectification measures to the CSRC Shanghai Bureau. As of the Latest Practicable Date, Guotai Junan Asset Management had not received any follow-up on this incident from the CSRC Shanghai Bureau.
On August 28, 2015, Beijing Lier High-temperature Materials Co., Ltd. (北京利爾高溫材料股份有限公司) lent to Yichuan Caiyuan Industry Investment Co., Ltd. (伊川財源實業投資有限公司) RMB200.0 million, being the proceeds from its 2015 corporate bonds (tranche 1) offering, after transferring such amount from the designated account to the basic account of the issuer. On June 16, 2016, the CSRC Beijing Bureau imposed a regulatory measure against the Company of a warning letter because the Company, as the trustee for the bonds, failed to timely discover and stop such lending of the proceeds.	This incident was due to the failure of our investment banking business personnel to comply with the relevant regulatory and internal control requirements in relation to supervising the use of proceeds by the issuer with due diligence and care within the duration of the bonds. Our project personnel's insufficient experience in supervising liquidity supplement and repayment of bank loans with proceeds led to our failure to timely discover and prevent such the lending. We conducted thorough investigations, urged this company to promptly recover the proceeds which had been improperly used and adopted the following remedial measures: 1. provided internal risk training using this case as an example; 2. organized training on relevant laws and regulations for our business personnel, enhanced the implementation and execution of management rules and improved the professional capability and due diligence awareness of our business personnel; 3. further improved and refined the relevant management policies for corporate bonds, enhanced the monitoring of business flow and improved the execution and implementation of business management policies; and 4. implemented accountability measures against the relevant personnel in the form of deduction of their entire annual compliance and risk management review points and bonuses.
In July 2014, the SFC requested Guotai Junan Securities (Hong Kong) Limited to provide ultimate client information in respect of a number of transactions it executed for an intermediary client in Korea. Because the intermediary client did not comply with its obligation under the client agreement, Guotai Junan Securities (Hong Kong) Limited was not able to provide the requested information within two business days upon request as required under relevant regulations. The SFC reminded Guotai Junan Securities (Hong Kong) Limited of its obligation to refuse the business of those who are not prepared to provide the ultimate client information to the regulatory authorities within two business days of a request. The intermediary client informed the SFC and Guotai Junan Securities (Hong Kong) Limited in August 2014 that, as a matter of Korean law, it could not provide the requested ultimate client identity information without the ultimate client's written consent. Guotai Junan Securities (Hong Kong) Limited only provided the requested client information to the SFC in January 2015. Between August 2014 and January 2015, Guotai Junan Securities (Hong Kong) Limited continued to execute a substantial number of transactions for the intermediary client. The SFC found that, Guotai Junan Securities (Hong Kong) Limited could not be satisfied on reasonable grounds at the time of those transactions that it would be able to provide client identity information of the ultimate client as requested by the SFC, and thereby violated the regulatory requirements in relation to ascertaining client identity. On May 30, 2016, the SFC publicly reprimanded Guotai Junan Securities (Hong Kong) Limited and fined it HK$ 1.3 million.	This incident was due to the failure of Guotai Junan Securities (Hong Kong) Limited to effectively comply with the regulatory requirements and internal control requirements in relation to ascertaining client identity. Guotai Junan Securities (Hong Kong) Limited adopted the following remedial measures: 1. engaged an independent third party approved by the SFC to review its systems and processes in respect of its compliance with the regulatory requirements in relation to ascertaining client identity; and 2. implemented the Rules on Client Due Diligence and the Client Identity Rules and Policies.

Non-compliance Incidents	Overview and Primary Remedial Measures
On December 21, 2015, Shanghai Securities submitted an Application for Subsequent Joining in Market Making (後續加入做市申請) to provide market making and quotation services in respect to the shares of Guangdong Holdings Technology Co., Ltd. (廣東合迪科技股份有限公司). However, the shares of this company were still under negotiated transfer process at the time of the application. In March 2016, during the on-site inspection on Shanghai Securities, NEEQ Co. found that in the case of Hebei Oxen Special Chemicals Co., Ltd. (河北歐克精細化工股份有限公司), Shanghai Securities had not strictly followed its internal procedures on acquisition of inventory shares and the relevant registration policies for non-trader personnel entering and exiting its trading room. NEEQ Co. considered that the foregoing acts reflected inadequate internal control and management of the market making business of Shanghai Securities, which violated the relevant requirements of NEEQ Co. On May 18, 2016, NEEQ Co. imposed a regulatory measure against Shanghai Securities of request for written undertakings.	This incident was due to the negligence of Shanghai Securities' personnel and inadequacy in its relevant procedures. On May 26, 2016, Shanghai Securities submitted the following written undertakings to NEEQ Co.: 1. to strictly comply with the relevant rules, articles, guidance and notices in respect of its NEEQ business; 2. to further conduct prior compliance reviews, compliance supervision and subsequent compliance examination on its NEEQ businesses, ensuring that they are carried out according to laws and regulations; to timely rectify or revise the relevant procedures and policies for issues identified during self-inspections; and 3. to strengthen the training of business personnel on laws, regulations and internal policies to improve their compliance awareness; to carry out strict management, and to impose heavy punishment for inadequate performance and non-compliance by business personnel. To improve relevant procedures and internal control measures, Shanghai Securities has implemented the following remedial measures: 1. strengthened the management of document submission and required such documents to be processed and reviewed by two people; 2. strictly adhered to internal procedures on acquisition of inventory shares and required relevant personnel to record every step of approvals and operations, to ensure that the business was carried out according to its policies for strict prevention and control of business risks; 3. further strengthened the management of the trading rooms and strictly implemented relevant registration policies for non-trading personnel entering and exiting the trading rooms.
In June 2015, Shenxianyuan Ginseng Co., Ltd. (參仙源參業股份有限公司) transferred the titles of assets as part of a major asset restructuring before obtaining the approval of the board of directors and shareholders meetings and making initial information disclosure in relation to the major asset restructuring. On April 21, 2016, NEEQ Co. imposed a regulatory measure against the Company of a warning letter because the Company, as the independent financial advisor of Shenxianyuan Ginseng Co., Ltd. in relation to the major asset restructuring, failed to issue a fair opinion on the non-compliance by this company and disclose major risk warning despite knowledge of the significant procedural non-compliance and disclosure deficiencies.	The Company had required this company to conduct its operations properly. The Company also conducted on-site due diligence, independently expressed its opinion, carefully performed its duties as the independent financial advisor, and urged this company to comply with laws and regulations. However, this company did not adopt the Company's advice and recommendation in several key aspects, resulting in major procedural non-compliance and disclosure defects. This incident reflected that the Company did not adequately remind and restrain its client in relation to non-compliance. The Company imposed accountability measures against relevant project staff in the form of deduction of their entire annual compliance and risk management review points and decrease of bonuses. The Company further adopted the following remedial measures: 1. improved communication with the regulatory authorities to check the status of project with regulatory authorities in a timely and accurate manner; 2. educated its clients not to engage in improper activities, requested its clients to rectify and report improper activities in a timely manner upon discovery; and 3. refined the business flow and further enhanced the risk management of related businesses.

Non-compliance Incidents	Overview and Primary Remedial Measures
Song Hailong (宋海龍), a securities industry practitioner employed by the Company, traded stocks in the amount of RMB2.6 million and RMB1.4 million, respectively, through accounts under his name and his spouse's name with a total gains of RMB23,417.4 between July 2011 and September 2015. The above conduct of Song Hailong violated relevant requirements under the Securities Law. On April 12, 2016, the CSRC Guangdong Bureau imposed administrative penalties against Song Hailong by confiscating his illegal gains of RMB23,417.4 and imposing a fine of RMB50,000.0.	This incident was due to the failure of the compliance department of the Company to detect non-compliance of the individual because he traded through securities accounts under the custody of another securities company. The Company imposed accountability measures against Song Hailong in the form of serious warning and deduction of the entire annual compliance and risk management review points and decrease of bonuses. The Company adopted the following remedial measures. 1. conducted compliance training for all employees; 2. committed to formulating policies for management of employees' securities investment activities, increased examination frequency and strengthened the management of employees' securities investment activities from induction of new employees; and 3. regularly conducted special compliance inspections of employees' and brokers' stocks holding and trading activities.
In December 2014, when Beijing Tianli Mobile Service Integration, INC. (北京無線天利移動信息技術股份有限公司) was acquiring equity interests in Shanghai Yuhao Data Technology Co., Ltd. (上海譽好數據技術有限公司), it did not disclose that it was a related party of the latter and that such acquisition constituted a related party transaction. In addition, it did not comply with related party transaction procedures. Shui Yaodong (水耀東) and Sun Xiaozhong (孫小中), employees of the Company, as sponsor representatives for the IPO and listing on the Shenzhen Stock Exchange of this company, did not discover nor disclose the fact that the issuer failed to disclose such related party transactions. On April 9, 2016, the CSRC imposed a regulatory measure against Shui Yaodong and Sun Xiaozhong of a six-month suspension of acceptance of applications in relation to administrative approvals.	This incident was due to Shui Yaodong's and Sun Xiaozhong's inadequacy in conducting due diligence on and supervising the issuer to ensure compliance with and improve policies dealing with related party transactions. The Company imposed accountability measures against relevant project personnel in the form of deduction of their annual compliance and risk management review points and bonuses. The Company mainly adopted the following remedial measures: 1. enhanced review of issuer due diligence and disclosure documents and required issuers to improve and strictly implement their internal policies on related party transactions; and 2. required employees to rigorously conduct ongoing supervision and management as well as keep a complete record of the ongoing supervision.
In August 2015, a shareholder of Xinjiang Ruizhao Source Ecological Agriculture Co., Ltd. (新疆瑞兆源生態農業股份有限公司) registered a pledge of its equity interest in this company. In the listing application submitted to NEEQ Co. by the Company, as the chief agency broker for this company, in September 2015, the Company failed to disclose the fact that the above shareholder had registered a pledge of its equity interest, which constituted a material omission. On February 26, 2016, NEEQ Co. imposed a regulatory measure against the Company of a warning letter.	The management of the issuer failed to adequately consider the subsequent events and failed to identify the equity interest pledge as a notifiable event. Due to the issuer's failure to timely inform the Company and the professional parties about the equity interest pledge, the Company and the professional parties failed to disclose such information in the application documents, which constituted a material omission. The Company imposed accountability measures against relevant project personnel in the form of deduction of their entire annual compliance and risk management review points and decrease of bonuses, as well as mainly adopted the following remedial measures: 1. fully analyzed the subsequent events of other companies seeking to be listed on NEEQ so as to ensure timely disclosure of similar events; 2. formulated new sets of project approval standards and requirements to improve the quality of listing mandates in light of risks and future development plans specific to NEEQ listing mandates; 3. fully analyzed and improved the feedback and workflow relating to subsequent events as well as established specific procedures and due diligence requirements for subsequent events of companies seeking to be listed on the NEEQ; and 4. organized training for all personnel of the NEEQ listing business on the categorization and work quality indicators for non-compliant activities, and enhanced their ability to identify and avoid project risks.

Non-compliance Incidents	Overview and Primary Remedial Measures
On December 31, 2015 at 14:50 pm, the Company gave sell orders for 16 stocks at prices significantly below the most recent trading prices in the process of conducting its market-making business. This resulted in significant fluctuations in the price of these stocks right before the close of the market, affected the normal trading price of these stocks and disrupted the market. On January 19, 2016, NEEQ Co. imposed a public reprimand against the Company and imposed disciplinary punishment against the relevant persons of the Company in the form of a public reprimand and a notice of criticism for these abnormal sell orders above. On February 26, 2016, the CSRC Shanghai Bureau imposed regulatory measures against the Company including a three-month suspension of conducting new NEEQ market-making business.	This incident was due to defects in the performance appraisal system as well as internal management and control of the Company's market-making business. Such defects led to the failure to effectively implement relevant regulatory and internal control requirements in respect of conducting market-making business in compliance with the laws and regulations. The Company has made various rectifications according to regulatory requirements as well as enhanced and improved the compliant operation and risk management of the NEEQ market-making business. In 2016, the Company increased the weight age of risk management and compliance in its performance assessment, and no longer considered the ranking of the number of NEEQ market-making shares. From March to September 2016, the Company conducted quarterly internal compliance checks and adopted remedial measures on the market-making business department. Specific remedial measures adopted by the Company include: 1. imposed accountability measures on the person in charge of the market-making business department in the form of administrative dismissal and termination of employment; 2. the market-making business department amended the rules relating to the market-making business in view of the actual business condition and further optimized each business management procedures; 3. strengthened the management of the trading rooms by the market-making business department, enhanced the regulation of the behaviors of traders and prevented and controlled the disclosure of sensitive information; and 4. optimized the NEEQ market-making and quotation system, developed the NEEQ project management system and strengthened the role information technologies play in business risk management. On June 1, 2016, the Company submitted a rectification report in respect of its NEEQ market-making business to NEEQ Co. On May 27, 2016 and August 29, 2016, respectively, the Company submitted compliance inspection reports in respect of the NEEQ market-making business to the CSRC Shanghai Bureau. In May 2016, the Company resumed its new NEEQ market-making business. As of the Latest Practicable Date, the Company had not received any follow-up on this incident from the CSRC Shanghai Bureau.
The Company acted as the sponsor and lead underwriter for a follow-on public offering by Cangzhou Dahua Co., Ltd. (滄州大化股份有限公司) in May 2014. On October 11, 2015, the CSRC imposed a regulatory measure against Zhou Wenhao (周文昊) and You Lingyan (尤凌燕), employees of the Company, of a warning letter as a result of their failure to provide sufficient risk warning of this offering and to urge the issuer to adequately disclose the risk of a substantial decline in its results of operations in the securities offering documents.	This incident was due to the failure of the project personnel to adequately perform their due diligence and advise the issuer to comply with the relevant regulatory requirements in respect of securities offerings. The Company imposed accountability measures against relevant project personnel in the form of deduction of their entire annual compliance and risk management review points and decrease of bonuses. The Company mainly adopted the following remedial measures: 1. organized business personnel to conduct training on relevant laws and regulations; and 2. enhanced the implementation and execution of management rules and improved the professional capability and due diligence awareness of business personnel.

Non-compliance Incidents	Overview and Primary Remedial Measures
On January 16, 2015, the CSRC imposed a regulatory measure against the Company of a three-month suspension on the opening of new credit accounts for margin financing and securities lending clients because the Company rolled over margin financing and securities lending contracts upon maturity in violation of relevant regulatory requirements.	This incident was due to inadequate internal controls of the Company and its failure to closely monitor the compliance in relation to the opening of margin financing and securities lending accounts. In compliance with laws, administrative regulations and requirements of the CSRC, the Company actively implemented remedial measures, fully revised relevant business flows and further enhanced the compliance awareness of relevant personnel. The Company imposed accountability measures against relevant project personnel in the form of serious warnings, compliance warnings and deduction of annual compliance and risk management review points and bonus. Specific remedial measures adopted by the Company include: 1. strictly avoided new overdue margin financing and securities lending contracts while handling historical overdue contracts, completely rectified the overdue contract issue within the prescribed period, except for special circumstances such as where trading in the subject securities was suspended; and 2. adjusted the standard for opening margin financing and securities lending accounts in strict compliance with relevant laws and regulations. On January 26, 2015 and April 10, 2015, the Company submitted two rectification reports in respect of this margin financing and securities lending issue to the CSRC. As of the Latest Practicable Date, the Company had not received any follow-up on this incident from the CSRC.
During an examination against Shenzhen Fuhong Road Securities Branch of Shanghai Securities in respect of whistle-blowing matters, the CSRC Shenzhen Bureau discovered that the securities branch opened margin financing and securities lending accounts for six new clients through the use of existing fund accounts of the clients who had traded securities for less than half a year. On January 12, 2015, the CSRC Shenzhen Bureau imposed a regulatory measure against this securities branch of a warning letter.	This incident was due to the securities branch's inadequate management and internal control of client accounts, inappropriate operations and failure to comply with regulatory and internal control requirements in respect of management of margin financing and securities lending clients. Shanghai Securities adopted the following remedial measures: 1. held relevant persons of the securities branch accountable, imposed economic and administrative penalties including salary decrease and demotion, withholding of three months' wages and circulation of a notice of criticism against such persons and ordered them to change immediately; 2. the securities branch actively communicated with the six clients through telephone and home visits, to persuade them to close their accounts; 3. the securities branch conducted in-depth self-review and systematic rectifications, improved the management of operational risks through the separation of front office and back office according to regulatory requirements and relevant rules of Shanghai Securities, as well as enhanced its staff's understanding of risk management to improve their risk responsibility awareness. On April 16, 2015, Shanghai Securities submitted a rectification report in respect of this incident to the CSRC Shenzhen Bureau. As of the Latest Practicable Date, Shanghai Securities had not received any follow-up on this incident from the CSRC Shenzhen Bureau.

The Directors confirm that none of the existing Directors or members of our senior management has been involved in any of the regulatory non-compliance incidents disclosed above. Due to the fact that (i) we implemented measures to rectify the non-compliance incidents immediately upon becoming aware of the incidents as disclosed above and all such incidents have been rectified or were being rectified as of the Latest Practicable Date; (ii) in response to the above non-compliance incidents, we have carefully investigated each incident and implemented a series of remedial measures, supervision mechanisms and policies to strengthen our risk management and internal controls to rectify our internal control deficiencies related to such non-compliance incidents; (iii) no objections have been raised and no follow-up actions have been taken by the regulatory authorities in the PRC against the rectification reports or remedial measures taken by us in relation to the non-compliance incidents disclosed in this document as of the Latest Practicable Date; (iv) control measures have been undertaken by us to prevent the reoccurrence of similar incidents; (v) the incidents disclosed above were not caused by the Directors' negligence in discharging their duty to manage or oversee the management of our business; (vi) none of the Directors was subject to any warning, penalty, sanction or reprimand by the regulatory authorities as a result of the regulatory non-compliance incidents disclosed in this document as of the Latest Practicable Date; (vii) the qualifications of the Directors are approved by the CSRC or the CSRC Shanghai Bureau and have not been challenged by the CSRC or the CSRC Shanghai Bureau as of the Latest Practicable Date; and (viii) we have received the regulatory rating of Class A Grade AA from the CSRC for nine consecutive years since 2008, the highest rating attained by any PRC securities company to date, we are of the view that (a) we have adequate and effective internal controls to prevent similar non-compliance from reoccurring in the future; and (b) such incidents do not affect the suitability of the Directors under Rules 3.08 and 3.09 of the Hong Kong Listing Rules. After making reasonable inquiries of us about these non-compliance incidents and our remedial measures, there is nothing that has caused the Joint Sponsors to disagree with our view.

Ongoing Investigations

CSRC Investigations

In July 2016, the CSRC conducted special inspections on the investment banking businesses of 13 securities companies including the Company. On December 21, 2016, in respect of the issues found during the inspection, the CSRC issued to the Company a prior notice of administrative regulatory measures. According to the prior notice, during the inspection, the CSRC found that:

- the Company failed to sufficiently examine the key business flow and the inventories of Hebei Runnong Water-Saving Technology Co., Ltd. (河北潤農節水科技股份有限公司) when recommending its listing on the NEEQ; our internal audit department lacked independence when performing its duties;

- during the on-going supervision on Shenxianyuan Ginseng Co., Ltd. (參仙源參業股份有限公司), the Company failed to complete and submit the on-site inspection report of on-going supervision within specified the period after the CSRC initiated investigations on this company; and

- the Company failed to sufficiently examine the key business flow as well as the purchases and sales of Xinjiang Ruizhao Source Ecological Agriculture Co., Ltd. (新疆瑞兆源生態農業股份有限公司) when recommending its listing on the NEEQ.

The CSRC determined that the above facts revealed defects in our internal control system. Therefore, the CSRC proposed to order us to make rectification, increase the frequency of internal compliance inspection and submit compliance inspection report.

In respect of the facts discovered, defects identified and administrative regulatory measures proposed by the CSRC as result of the inspection, we have the right to explain and plead our case. The CSRC will accept the facts, grounds and evidence presented by us to the extent that they are confirmed by its review. As of the Latest Practicable Date, the case was still under review by the CSRC and no decision has been made as to the administrative regulatory measures.

On June 16, 2016, the CSRC issued an investigation notice to Guotai Junan Futures and its employee, Huang Zhiqiang (黃志強), and initiated an investigation for their failure to effectively perform their duties as asset manager. Guotai Junan Futures is actively cooperating with the CSRC with its investigation. As of the Latest Practicable Date, the investigation was still ongoing.

Given the uncertainties associated with the above investigations, including the actions that the regulatory authority might take and the timing, outcome and impact thereof, you should read and consider these matters carefully and pay particular attention to the risk factor in "*Risk Factors— Risks relating to Legal, Compliance and Regulatory Matters — We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings*". We take all investigations by the CSRC and other regulatory authorities seriously, and will take appropriate and prompt steps to rectify the areas which are found to be deficient or non-compliant as necessary.

SFC Investigations

Pursuant to the relevant statutory powers of the SFC, it may carry out investigations on, or require assistance on its investigations from, the subsidiaries of Guotai Junan International with SFC licences. As of the Latest Practicable Date, two subsidiaries of Guotai Junan International were involved in the following regulatory investigations by the SFC:

- Guotai Junan Capital Limited was subject to the SFC's investigation in relation to its role in acting as the compliance adviser for a company listed on the Main Board of the Hong Kong Stock Exchange.

- Guotai Junan Securities (Hong Kong) Limited was subject to the following three regulatory investigations by the SFC which concern:

  (i) its compliance with the internal control requirements with respect to anti-money laundering;

(ii) its customers' suspected false trading and/or price rigging and/or stock market manipulation in dealing the shares of a company listed on the Main Board of the Hong Kong Stock Exchange and suspected failure by its customers to make disclosure of interests in the company; and

(iii) its customers using suspected fraudulent or deceptive devices in transactions involving the shares of a company listed on the Main Board of the Hong Kong Stock Exchange and suspected failure by its customers to make disclosure of interests in the company.

In connection with the these investigations, the SFC also inquired whether the relevant entities and/or persons connected with them, were guilty of misconduct, and/or are not fit and proper persons for the purpose of considering whether to exercise any power under section 194 of the SFO. These SFC investigations are ongoing and are therefore subject to the statutory secrecy under section 378 of the SFO.

As of the Latest Practicable Date, the SFC has not taken any regulatory measures against, nor imposed any penalty on, the relevant entities, us or our Directors, Supervisors or senior management. We are unable to predict the outcome of the above investigations. Depending on the investigation findings, Guotai Junan Capital Limited and/or Guotai Junan Securities (Hong Kong) Limited may become subject to disciplinary actions and other proceedings, which could potentially lead to fines, public reprimands and/or revocation or suspension of licenses (among other things), and if imposed, could materially and adversely affect our reputation, business, prospects, operations and results.

Given the uncertainties associated with the above investigations, including the actions that the regulatory authority might take and the timing, outcome and impact thereof, you should read and consider these matters carefully and pay particular attention to the risk factor in "*Risk Factors — Risks relating to Legal, Compliance and Regulatory Matters — We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings*".

Our Directors have taken into account the financial contribution of Guotai Junan Capital Limited and Guotai Junan Securities (Hong Kong) Limited to our Group during the Track Record Period in considering each of the matters under the SFC's investigation based on the information made available to them. Our Directors are not presently aware of any significant risks that any matters in connection with the SFC's investigations would have a material and adverse impact on our reputation, business, prospects, operations and results. We take all investigations by SFC and other regulatory authorities seriously, and will take appropriate and prompt steps to rectify the areas which are found to be deficient or non-compliant as necessary.

Regulatory Inspections

The regulatory authorities and self-regulatory organizations in the PRC, such as the CSRC and the PBOC, as well as the regulatory authorities in Hong Kong, such as the SFC, carry out routine or ad hoc inspections, examinations and inquiries in respect of our compliance with the laws, regulations, guidelines and regulatory requirements applicable to us and our business.

During the Track Record Period and up to the Latest Practicable Date, the CSRC, the PBOC and their respective local offices and bureau carried out routine or ad hoc inspections on us, including, without limitation, our continuing supervisory duties. These inspections revealed deficiencies and weaknesses in our business operations, risk management and internal controls, and we took immediate remedial measures in response to the notifications from the regulatory authorities.

The results of the principal examinations or inspections are summarized below.

On-site Inspections of Branches

The CSRC and its regional bureaus together with local securities industry associations have conducted on-site inspections on some of our branches and mainly identified the following issues:

- No effective monitoring and measures are in place for securities brokers' conducts and abnormal client transactions;
- Our client eligibility management system needs to be improved; no risk assessment has been made on some clients, and no follow-up risk assessment has been made to some clients after expiry of their initial risk assessment;
- There existed overlaps of positions between staff of the sales department and the branches as well as between staff of the front office and the back office in the sales department; and
- Regulatory reporting data submitted was inaccurate.

We have adopted the following remedial measures to address the issues identified by the regulatory authorities:

- strengthened the compliance management of our brokers, strictly monitored the scope of their conduct, carried out compliance education for our brokers and effectively enhanced their professionalism to prevent the risks of operational non-compliance;
- assigned staff to monitor the progress of risk assessments of clients for the securities branches; for those clients who have not been assessed for more than two years, in addition to the existing reminders from our trading system, used SMS and manual notices to prompt clients to complete the risk assessment;

- adopted measures including trading restrictions and withdrawal of credit margins to ineligible margin financing and securities lending accounts, and required our employees to strengthen the review of client qualification application in accordance with regulatory requirements and our policies;

- reviewed our position setup and improving our position segregation policies; and

- required the relevant employees to carefully study the requirements of regulatory report submission, and standardized the review and management of regulatory report submissions.

Ongoing Supervision

The CSRC and its regional bureaus and institutions conducted on-site investigations of several companies for which we have acted as listing sponsor, bond trustee or financial advisor of M&A and reorganizations, identified certain issues associated with our ongoing supervision duties for these companies, including:

- lack of due diligence and failure to identify the fact that the listed companies have not disclosed related party transactions;

- failure to promptly identify and prevent bond issuers from lending the proceeds; and

- lack of due diligence and issuance of verification opinions that was materially inaccurate.

We have taken the following remedial measures against the issues identified by regulatory authorities:

- strengthened the due diligence on issuers and the review of disclosure documents, supervised issuers to improve and strictly implement their internal policies on related party transactions, required employees to strictly conduct ongoing supervision, and kept a full record of ongoing supervisions;

- requested issuers to immediately adopt remedial measures and supervised issuers to improve their internal control procedures for use of proceeds, and improved our internal policies and procedures with respect to acting as bond trustee;

- requested listed companies to improve their corporate governance structure, including enhancing staff training as well as the review and supervision of corporate documents, the review of documents for shareholders meetings, supervisors meetings and board meetings, training on applicable laws and regulations, improving internal rules on the use of proceeds and enhancing supervision of their implementation; and imposed disciplinary actions on our employees who were responsible for ongoing supervision.

Our Directors confirm that, except as disclosed in "*—Legal and Regulatory*", there were no other material regulatory examination findings or material incidents of regulatory non-compliance during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT

OVERVIEW

We consider risk management as our core competency. We have established a comprehensive and effective risk management and internal control system, which includes advanced risk management tools and technologies. Since 2008, we have attained the Class A Grade AA regulatory rating for nine consecutive years. Class A Grade AA is the highest rating ever attained by any PRC securities company. This also reflects our high risk management capabilities and disciplined management level.

We have established our compliance and risk management principles and insist on prudent management. We firmly believe that "risk management creates value, future development relies on compliant operations". We consider legal and compliant operation as the cornerstone of our business development and balance risk management and business development. We strive to enhance our risk management capability and strictly implement authorization management.

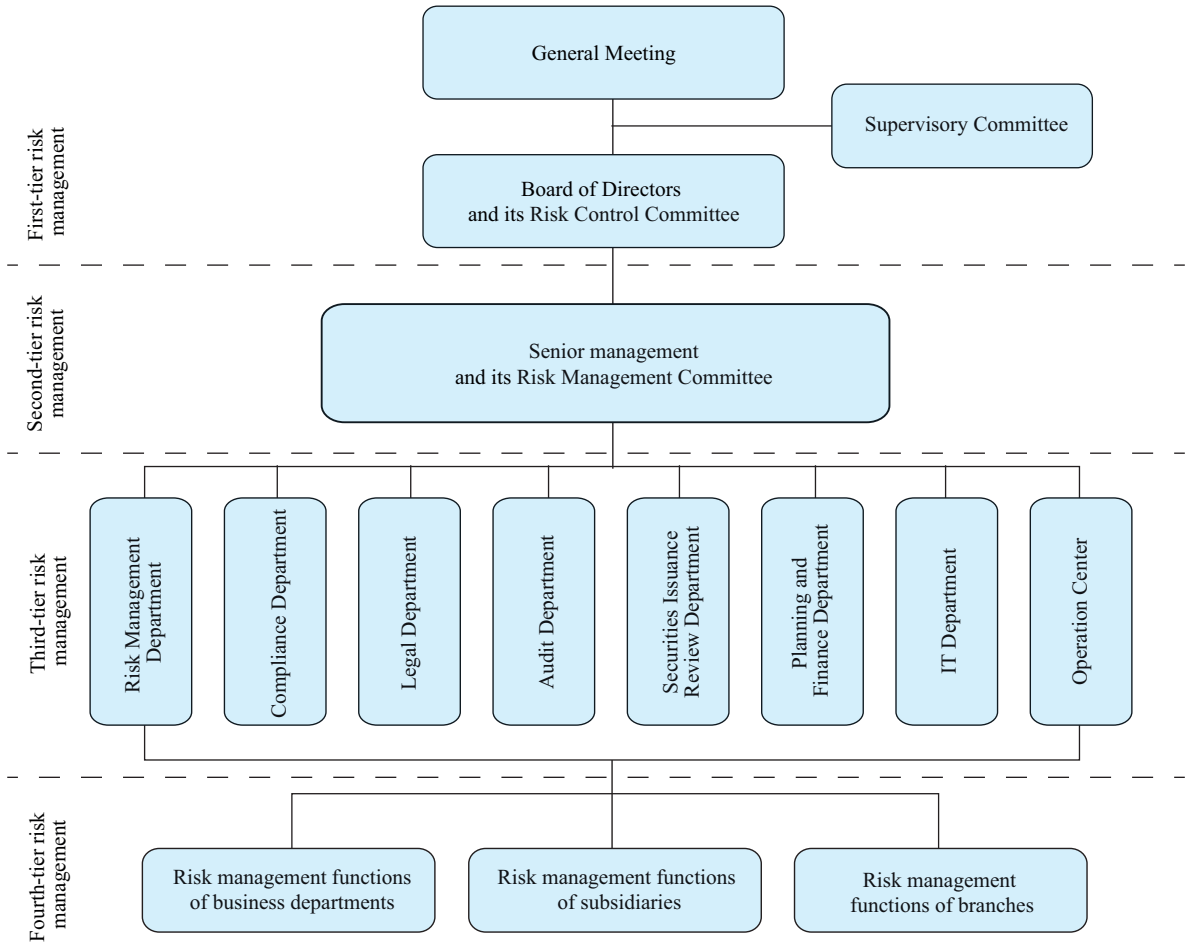
Given our need to innovate our business, products and management, we have formulated and timely adjusted specific risk management measures and regularly issued risk information reports on innovative activities. We do not enter into business areas where risks are not adequately assessed or understood or which do not meet regulatory requirements or market trends.

RISK MANAGEMENT ORGANIZATION STRUCTURE

We have established a four-tier risk management structure consisting of: (i) the Board; (ii) senior management; (iii) departments responsible for risk management; and (iv) business departments, subsidiaries and branches.

Through our four-tier risk management structure, we accurately identify, reasonably evaluate, dynamically monitor, timely respond to and effectively control various risks arising from operations and management. These efforts have enhanced our risk management capabilities and provided effective assurance for our innovative transformation and sustainable development in recent years. As of September 30, 2016, our compliance and risk management team accounted for 5.73% of our employees.

The chart below sets forth our risk management organization structure:



The Board

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Group.

The Board is mainly responsible for:

- reviewing and approving the fundamental risk management policies of the Group;
- defining and adjusting the Group's risk appetite; and
- reviewing the Group's risk tolerance and risk limits.

The Board has established a risk control committee. As of the Latest Practicable Date, the risk control committee of the Board consisted of five members, including Mr. Fu Fan (傅帆), Mr. Wang Song (王松), Mr. Zhong Maojun (鐘茂軍), Mr. Liu Qiang (劉強) and Mr. Ling Tao (凌濤), with Mr. Fu Fan as the chairman. For further information about the risk control committee, please see "*Directors, Supervisors and Senior Management*".

The risk management committee is mainly responsible for:

- reviewing the overall objectives and fundamental policies of risk management;
- reviewing the establishment and the duties of the risk management divisions;
- assessing the risks associated with material business decisions and solutions to material risks;
- reviewing compliance and risk assessment reports; and
- reviewing the effectiveness of the Group's risk management and internal control systems.

Our Supervisory Committee supervises the risk management duties of the Board and our senior management, and advises on the effective implementation of risk management.

Senior Management

Our senior management is responsible for the effectiveness of our risk management. Based on the plans of our business development, our senior management determines and adjusts the risk limits of various businesses, and implements classified and hierarchical management.

Our senior management has established a risk management committee, which is chaired by our president and is responsible for:

- reviewing the risk management policies, annual risk appetite, and size and maximum risk limits of our proprietary trading business;
- reviewing and approving the annual risk limits allocation plan, key risk control indicators and adjustment items for various investment businesses of the Company;
- reviewing the Company's annual business authorization and management authorization plans; reviewing and approving annual authorization adjustment items;
- reviewing the Company's annual economic capital allocation plan and adjustment items;
- reviewing the Company's quarterly, interim and annual risk management reports and annual economic capital execution reports;
- reviewing and determining the material risks of the Company; and
- reviewing the risks and compliance assessment reports of the Company's material innovative businesses.

The permanent members of the risk management committee include the president of the Company, the chief risk officer, the chief compliance officer, the chief financial officer, head of the risk management department, head of the planning and finance department, head of the compliance department, head of the strategic management department, head of the audit department, and head of the legal department, while non-permanent members include the persons in charge of the relevant businesses.

Our chief risk officer and chief compliance officer are responsible for constructing our comprehensive risk management system; monitoring, evaluating and reporting on our overall risk level; examining, supervising and inspecting the compliance of operational management and general business conduct of the Company and its employees; and advising on compliance and risk management matters in the Company's business decisions.

Our chief risk officer and chief compliance officer are appointed by the Board. As of the Latest Practicable Date, Ms. Liu Guifang (劉桂芳) was our chief risk officer and chief compliance officer. She has over 23 years of experience in the financial industry. For further information about our chief risk officer and chief compliance officer, please see "*Directors, Supervisors and Senior Management*".

Departments Assuming Risk Management Functions

Our departments that assume risk management functions include those that are specifically responsible for risk management, including the risk management department, the compliance department, the legal department, the audit department and the securities issuance review department; as well as departments that perform other risk management duties, such as the planning and finance department, the IT department and the operation center.

- Risk management department: managing the credit risks, market risks, liquidity risks and operational risks of the Company, and performing specific risk management responsibilities;

- Compliance department: effectively identifying, assessing and preventing compliance risks, performing compliance examinations, compliance inspections, compliance consulting, compliance training, compliance accountability, compliance reporting, regulatory monitoring and coordination, anti-money laundering and information segregation management;

- Legal department: identifying, evaluating, notifying, monitoring, reporting and preventing the legal risks of the Company; protecting the Company from legal sanctions, significant financial losses and damages to reputation;

- Audit department: responsible for independent and objective inspection, supervision, evaluation of and recommendations on the compliance and reasonableness of business, management, financial and other operations; on the security and profitability of assets; and on the comprehensiveness and effectiveness of internal controls among the Company's various departments, branches and controlled subsidiaries;

- Securities issuance review department: conducting review and risk management for our investment banking business;

- Planning and finance department: responsible for the Company's budget planning, financial management, accounting, Net Capital management, liquidity management and liquidity risk management;

- IT department: responsible for the planning, construction, operation and management of the Company's IT system; establishing and implementing IT-related policies; assessing and managing the Company's IT risks; and

- Operation center: responsible for the centralized clearing, settlement, auditing, third-party depository operation and capital management of our various businesses, and relevant risk management.

Business Departments, Subsidiaries and Branches

Our various business departments, subsidiaries and branches are responsible for frontline risk management. We implement a frontline risk management matrix with both risk management line and business line reporting. We also conduct a dual assessment of business performance and risk management for the persons responsible for frontline risk management, in which business performance and risk management each accounts for 50% of the assessment. Frontline risk management is an effective means for us to achieve comprehensive and precise risk management and a strong assurance for enhanced implementation of risk management.

The key responsible persons of all our business departments, subsidiaries and branches are the persons who are primarily responsible for our frontline risk management. They assist the persons in charge of their respective business units in performing the following duties:

- Organizing and establishing a sound risk management system and carrying out authorization management of business and management systems;

- Identifying risk points across key business procedures and positions, as well as responsive control measures, job responsibilities and authorization matters;

- Conducting risk reviews and inspection of operational and management activities;

- Implementing dynamic compliance and risk assessment, as well as evaluating, reporting and handling or assisting in handling the associated risks;

- Timely providing rectification and improvement suggestions for issues identified during monitoring, inspection and occurrence of risk events, as well as supervising and promoting rectification;

- Focusing on and understanding abnormal behaviors of employees, including illegal and non-compliance behaviors such as holding and trading stocks, disclosing client information, insider trading, tunneling of benefits and unauthorized sales of financial products; and

- Identifying and dealing with hidden risks or risk events found in daily work in a timely and proper manner as well as making timely reports.

MONITORING AND MANAGEMENT OF MAJOR RISKS

We face various risks across all our business lines and operations. We have established a comprehensive risk management system covering market risk, credit risk, liquidity risk, operational risk and compliance risk.

Market Risk Management

Our market risks are the possibility of loss caused by the change or fluctuation in the market price of assets. According to different factors that lead to market risks, market risks can be classified into interest rate risk, exchange rate risk and financial asset price risk. Our businesses that are susceptible to market risks mainly include sales and trading and securities investment in connection with liquidity management. The fair value of our securities and derivative financial instruments in these businesses will vary with the changes in market prices. We proactively manage our market risks through accurate measurement and assessment of market risks based on market trends and changes in our portfolio.

In order to effectively manage market risks, we have adopted the following measures:

- implementing limit management for market risks, including business scale limits, risk limits and stop-loss limits;

- decomposing and analyzing the market risk factors of each business and product, and timely and accurately identifying the types and natures of market risks;

- selecting appropriate methods, reasonable assumptions and parameters for the measurement of different types of market risks; conducting sensitivity analysis, scenario analysis and stress tests; carrying out regular post-mortem examinations to adjust and improve market risk measurement methods and models;

- monitoring and reporting the changes in market risks; calculating the VaR of specific positions, portfolios or the overall investment of the Company through a mark-to-market mechanism; and

- regularly preparing market risk reports covering risk positions, risk values and limit implementation.

Credit Risk Management

Our credit risks are the possibility of loss caused by our counterparty's failure to perform a contract or a change in its credit rating or ability to perform. Our businesses that are susceptible to credit risks include sales and trading of fixed income products, stock-pledged financing as well as margin financing and securities lending. Our clients, counterparties or bond issuers in these businesses may default and fail to repay debts to us or pay principal and interest on the bonds they issued.

In order to effectively manage credit risks, we have adopted the following measures:

- implementing limit management for credit risks;
- establishing independent and appropriate credit evaluation procedures and a credit rating system to assess the credit levels and limits for different transactions; adjusting and improving credit risk measurement methods and models;
- implementing multi-tiered management of credit risks, continuously tracking and recording counterparties and transactions, and quantitatively analyzing changes in clients' transactions and credit;
- regularly conducting risk analysis on transactions and counterparties to assess possible losses to the Company under extremely unfavorable circumstances; for our high-risk clients and businesses, formulating more stringent procedures and standards on credit risk assessment, inspection and monitoring; and
- regularly preparing credit risk reports covering credit risk exposures, default rate of counterparties and anticipated recovery rate.

Liquidity Risk Management

Liquidity risk is the risk that we might not be able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for normal business operations. As liquidity is important for all our major businesses, we focus on the effective identification, measurement, monitoring and control of liquidity risk.

In order to effectively manage liquidity risk, we have adopted the following measures:

- adopting risk indicators analysis for our overall liquidity risk assessment, through the analysis of key indicators, including liquidity coverage, net stable capital ratio, liquidity gap ratio, liquidity ratio, and assets and liabilities concentration, to assess and measure the overall liquidity risk profile of the Company;

- examining cash flow mismatch through cash flow analysis as well as scenario-based and model-based gap analysis;

- establishing a liquidity risk limit mechanism, monitoring and reporting on implementation of limits as well as regularly conducting stress tests on liquidity risk;

- focusing on the risk profile of large fund providers, regularly monitoring their business activities with us and formulating financing concentration triggering ratios and contingency measures to be taken when these ratios are triggered;

- focusing on the changes in the capital markets, assessing our ability to replenish liquidity by issuing stocks, bonds and other financing instruments and the associated costs, and improving mismatch of our maturity structure by replenishing medium- and long-term liquidity; and

- establishing and improving our liquidity risk contingency plans, including reducing liquidity risk by risk transfer, risk diversification and risk exposure reduction; establishing contingency or backup systems, programs and measures for natural disasters, system failures and other emergencies, as well as regularly reviewing and testing the contingency plans and updating and improving our emergency response programs.

Operational Risk Management

Our operational risks are the possibility of loss caused by internal system and procedure failures, improper employee behaviors, IT system defects and external events.

In order to effectively manage operational risks, we have adopted the following measures:

- establishing an identification, assessment and management system for operational risks that fully covers the Company's business activities to continuously identify and evaluate operational risks;

- consolidating and organizing operational risk data; based on historical operational risk data, adopting reasonable methods for risk evaluation as well as proposing risk management measures;

- establishing a key operational risk indicator system, regularly monitoring these indicators and tracking the handling of monitoring information; and

- organizing and analyzing the data of risk loss events, the monitoring status of key risk indicators as well as the overall operational risk profile of the Company, and regularly preparing operational risk reports.

Compliance Risk Management

The compliance risks we face relate to legal sanctions, regulatory actions, losses of properties or damages to reputation as a result of the operational management or practices of the Company or its employees in violation of laws, regulation or rules.

In order to effectively manage compliance risk we have adopted the following measures:

- conducting compliance risk assessment on corporate policies and rules, major business decisions, new products and new businesses;

- establishing and effectively implementing a Chinese wall system; through separation measures for personnel, businesses, physical and IT, setting up separation walls between the departments and businesses of research, investment banking, sales and trading, asset management and brokerage; preparing restricted lists and observation lists and implementing relevant monitoring, disclosure or restrictive measures to supervise and manage wall-crossing conducts and prevent insider trading and conflicts of interest;

- conducting compliance inspections on all departments and branches on both a regular and ad hoc basis and promoting timely rectifications of problems identified;

- accepting and handling complaints and reports on non-compliance issues involving the Company and its employees;

- establishing and implementing compliance review and accountability rules to pursue accountability against persons responsible for non-compliance incidents;

- formulating and implementing effective anti-money laundering policies and cooperating with regulatory authorities in their anti-money laundering inspections and investigations; and

- developing and operating a compliance management platform, a communication security management system, an employee securities account management system and an anti-money laundering system, achieving digitalized and automated daily review, employee communication and securities investment monitoring, anti-money laundering monitoring and reporting, thereby ensuring the timeliness and accuracy of the monitoring process.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES FOR OUR PRINCIPAL BUSINESS LINES

We have implemented a series of risk management and internal control measures to manage the major risks associated with our business activities.

Institutional Finance

Investment Banking

The major risks of an investment banking business are market risk, operational risk and compliance risk resulting from poor management, ambiguity of powers and duties, and failure of due diligence. We manage the risks of our investment banking business mainly through the following measures:

- Project contracting stage: We submit project approval reports for projects that satisfy the requirements of our issuance quality evaluation system. Subsequently, we organize on-site presentations at the project review meeting with respect to the concerns raised by members of our quality control team as well as by project review committee members. After the project review meeting, members of the project review committee will decide whether to approve the projects by vote to ensure that the business team effectively and prudently undertakes projects;

- Project execution stage: Our quality control team has formulated specific guidelines for different types of businesses in accordance with regulatory requirements to strengthen risk management. The project team carries out comprehensive and detailed due diligence on the projects. The project team also classifies and archives project documents in accordance with our document management policy to ensure that relevant documents are true, accurate and complete;

- Project application stage: Members of our quality control team and the internal review committee fully review and discuss issues relating to projects. The project team responds to and will appropriately deal with these issues. Project teams may not submit an official application without approval from our quality control team and internal review committee;

- Offering and underwriting stage: We strictly control underwriting risk and compliance risk through the due diligence conducted by the project team; book-building, roadshow, marketing, pricing and allotment performed by our capital markets department; collective decision making by our investment banking committee; and supervision by our compliance department; and

- Ongoing supervision stage: Our project team conducts regular and ad hoc on-site inspections of projects, and provides training to the issuer and its directors, supervisors and

senior management. Our quality control team makes ad hoc visits to the supervised projects to ensure that the project team performs its duty in good faith and with diligence. Our investment banking business committee regularly evaluates the ongoing supervision work to ensure the quality of our ongoing supervision.

Institutional Investor Services

Prime Brokerage

The major risks of the prime brokerage business are operational risks. We manage the risks of the prime brokerage business mainly through the following measures:

- formulating comprehensive fund account operational procedures, and specifying responsibilities and work procedures of various departments and positions to standardize operations;

- effectively separating various departments by assigning different business operating personnel and separating office areas and outfitting standalone office equipment to ensure that they are inaccessible to, and independent from, each other;

- inspecting and verifying information on share registration and valuation accounting in the internal management system to ensure information accuracy; and

- conducting adequate technical and business tests on all functions before launching our technical support system, and tracking and solving the issues detected during the tests; designating staff specifically responsible for inspection and verification of key information so as to timely discover errors during system operation.

Sales and Trading

We implement cross-market and multi-currency comprehensive quantitative management for our proprietary trading under our sales and trading business, as well as monitoring the market and other risks of all the investment-related business departments.

For our proprietary trading under the sales and trading business, the Board determines our business scale and key risk control indicators on an annual basis. We carry out all-inclusive and quantitative calculation and analysis according to risk return characteristics and risk diversification effects of various businesses. We also develop business authorization and risk control indicators for various businesses under the principle of multi-tiered approval.

The following table sets forth the risk control indicators related to the proprietary trading of the Company.

Risk Control Indicators	Indicator Limits or Control Standards	Regulatory Requirements
Regulatory indicators		
Market value of equity securities and their derivatives	No higher than 100% of Net Capital	No higher than 100% of Net Capital
Market value of non-equity securities and their derivatives	No higher than 150% of Net Capital	No higher than 500% of Net Capital
Market value of any single equity security	No higher than 4% of total market value	No higher than 5% of total market value
Market value of any single non-equity security	No higher than 16% of total market value	No higher than 20% of total market value
Limitation indicators		
Business scale		
Equity securities and their derivatives	RMB17,500.0 million	N/A
Non-equity securities and their derivatives	RMB88,100.0 million	N/A
Risk exposure limits		
Equity securities and their derivatives	RMB2,450.0 million	N/A
Non-equity securities and their derivatives	RMB760.0 million	N/A
Hedging effectiveness limits[(1)]	No higher than 90-110%	N/A
Leverage limits	No higher than four times	N/A
Portfolio duration limits	No longer than four years	N/A

Note:

(1) Applicable to stock market index futures, treasury bond futures, interest swap as well as precious metal and commodity hedging and arbitrage businesses.

First, we set up and monitor various regulatory indicators based on regulatory requirements. The indicator limits or control standards set by us are more stringent than relevant regulatory requirements.

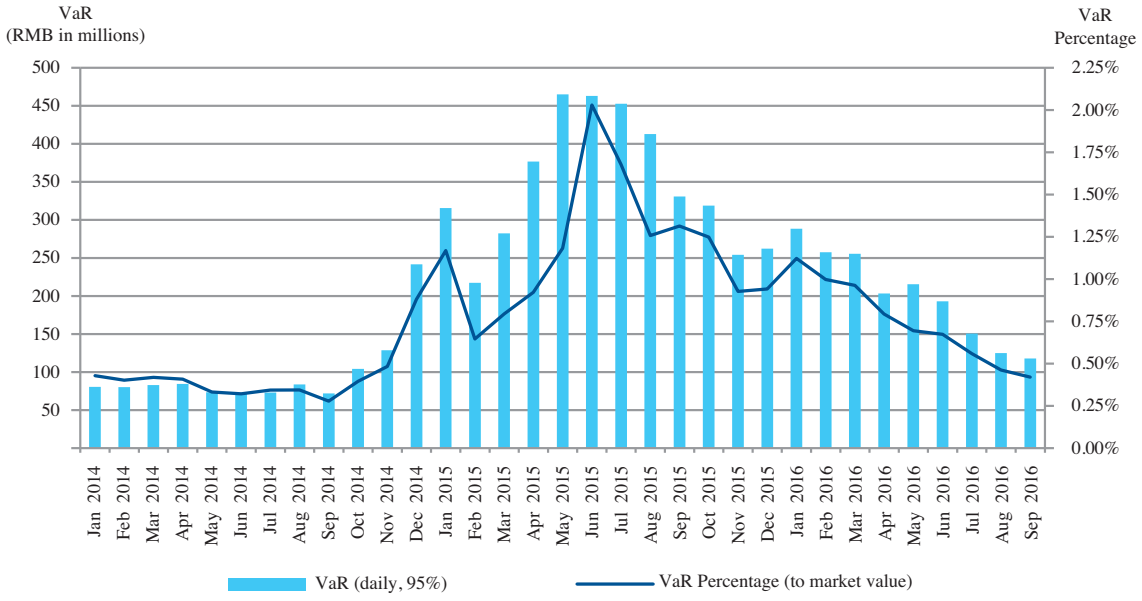
Second, we set and strictly implement various limitation indicators for our proprietary trading business. We set these indicators based on our annual risk appetite and risk tolerance indicators and relevant regulatory requirements, as well as taking into account our scale of trading and risk indicators for the previous year, market fluctuations and the business plan and budget for the current year. We calculate various limitation indicators on a daily basis, monitor and issue alerts on the implementation status of the limits, and submit timely reports through appropriate channels.

Lastly, we design and monitor a series of monitoring indicators suitable for our business, including VaR, volatility, beta coefficient and basis point value. We conduct daily calculations of and

closely monitor the changes in our monitoring indicators and proactively analyze potential market fluctuations and related changes, including whether any abnormal movements have occurred in our investment strategies and portfolios. We then conduct risk analysis and determine whether to adjust our investment strategies and portfolios.

Our business department formulates proprietary trading strategies based on the analysis of macro economies and market conditions as well as our business plan and risk management requirements. Our risk management department analyzes the potential risks of our investment strategies as well as the applicability and limitations of each risk control indicator, so as to identify the key risk control indicators of each investment strategies. For instance, we focus more on limitation indicators for the blue-chip equity securities that we intend to hold for a long term, including business scale limits and risk exposure limits. For hedging transactions, we focus more on validity limits and risk exposure limits. For FICC transactions, we focus more on validity limits and unilateral scale limits. We confine indicators including investment scale and risk exposures of our proprietary trading department within established limits through setting business system parameters, and promptly remind our proprietary trading department of any significant fluctuations or other noteworthy changes of monitoring indicators such as VaR.

The following chart sets forth changes in our VaR and percentage of VaR to market value for our proprietary trading (other than our contributions to the designated account at China Securities Finance) at the end of each month during the Track Record Period:



Stocks, Funds and Derivative Financial Instruments Trading

We manage the risk of our stocks, funds and derivative financial instruments trading mainly through the following measures:

- establishing a preferred pool and an alternative pool for stock investment; maintaining and managing a blacklist of stocks, having strict research requirements and tracking mechanisms for stocks with significant investment positions;

- setting limits on the concentration ratio of investment, the scale of total investment in different industries, and the scale of individual stock investment, in order to optimize our portfolio;

- identifying and controlling proprietary trading risks by means of scenario analysis, stress tests and sensitivity analysis, implementing front end control of trading by setting various risk control indicators, and limiting or prohibiting trading by setting appropriate thresholds in IT systems;

- setting and strictly implementing stop-loss limits on individual stocks and stock portfolios, establishing a monthly market value protection and warning system, conducting timely analysis and decision-making when the decrease of profits exceeds certain standards, to effectively control the effects of unfavorable market conditions;

- effectively hedging risks and strictly controlling the scale and proportion of potential losses;

- diversifying investment risks through diversified and cross-market derivative trading strategies and reducing our reliance on a single market or strategy;

- for options and other derivative financial instruments for trading, establishing a sound valuation management system to comprehensively and accurately price and analyze the risks of the financial products that we are trading;

- for market making businesses, designing market-neutral strategies, strictly controlling unilateral positions and potential losses, and preventing directional prediction deviation.

FICC Trading

We manage risks of FICC trading business mainly through the following measures:

- controlling our exposure to interest rate risks by hedging through treasury bond futures and interest rate swaps;

- conducting internal ratings of various publicly traded fixed-income products, and controlling the scale and proportion of bond investment in individual bonds and individual issuers according to their credit ratings;

- continuously optimizing the credit rating structure of our bond portfolio, and, for domestic bonds, mainly investing in bonds rated AA+ or higher, for overseas bond investments, also having rating requirements;

- limiting our bond investment in industries with excess capacity, and industries and enterprises with negative media coverage, tracking our bond investments with relatively higher risks and precisely controlling risks by formulating specific policies and restricting investment ratios;

- diversifying our fixed income investment portfolios and continuously tracking the changes in the business operation, credit rating and solvency of the bond issuers;

- our business departments and risk management department jointly conducting regular and ad hoc inspections to detect risks in our unsecured bond investment portfolio and carefully evaluating, classifying and handling problems identified, establishing policies for disposal of defaulted and downgraded bonds;

- setting transaction limits for every counterparty based on its credit profile and the actual transaction demands;

- focusing on typical operational issues involved commodity and currency transactions, including market discrepancy and physical settlement; and

- establishing sound business rules and management measures for commodities and currency trading, controlling the operational risks of the commodities and currency trading through measures including procedure implementation and multiple independent verifications.

Securities-backed Financing

The main risks of securities-backed financing business are credit risks. As a fundamental rule, we require a borrower to have sufficient sources for funding the repayment. We have strengthened our management control over the adequacy of collaterals. We manage the risks of securities-backed financing business mainly through the following measures:

- clarifying the risk parameters and base line of the business through setting risk limits, entry standards for borrowers and collaterals, credit extension principles, and business authorization based on our own risk appetite;

- establishing a multi-tiered approval and authorization system;

- establishing a client eligibility management system to conduct comprehensive due diligence on clients in respect of their asset size, credit profile, risk tolerance and understanding of the securities market;

- establishing a management system for the securities pool of collateral of the securities-backed financing business, designating staff to update the securities pool on the basis of daily monitoring on a timely basis, selecting high-quality stocks with sound fundamentals and liquidity to include in our collateral pool;

- fully evaluating the fundamentals, volatility, historical fluctuations in price, market risks and liquidity of individual stocks, as well as the concentration ratio and duration of pledges and nature of collateral stocks, in order to reasonably determine the discount ratio of collateral and other core risk management factors and carry out dynamic adjustment in light of market conditions; and

- through post-funding examination, market monitoring, risk warning and liquidation, we identify and manage the credit risk of the securities-backed financing business.

In addition, for our securities-backed financing business, we have set different warning collateral coverage ratios and minimum collateral coverage ratios based on the class and nature of underlying securities. We adjust these ratios according to specific conditions of the underlying securities and borrowers.

We actively monitor the changes in our clients' credit profile and their collateral coverage ratios. Generally, when a client's collateral coverage ratio falls below 150%, this client enters into "alert" status. We will send this client a warning notice, requiring the client to monitor risks and prepare to repurchase from us in advance or take other collateral coverage measures. Generally, when a client's collateral ratio falls below 130%, this client enters into "risk" status. We will send this client a default warning notice, specifying that they must take collateral coverage measures to avoid default. Collateral coverage measures stock-pledged financing clients can take include repurchase in advance and replenishing collateral. Collateral coverage measures securities repurchase clients can take include repurchasing in advance and engaging in supplementary transactions. If clients fail to take collateral coverage measures as required, we will take various default and disposal measures including forced liquidation of underlying securities.

The following table sets forth a breakdown of outstanding balances of our stock-pledged financing business by clients status as of the dates indicated.

	As of December 31,				As of September 30,	
	2014		2015		2016	
	(RMB in millions, except for percentages)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Normal status[(1)]	20,078.1	99.5%	34,359.8	99.9%	59,005.7	100.0%
Alert status[(2)]	92.7	0.5%	17.3	0.1%	17.8	0.0%
Risk status[(3)]	6.1	0.0%	—	—	0.0	0.0%
Total	**20,177.0**	**100.0%**	**34,377.0**	**100.0%**	**59,023.5**	**100.0%**

Note:

(1) The collateral coverage ratios of clients are not lower than 150%.

(2) The collateral coverage ratios of clients are between 130% and 150%.

(3) The collateral coverage ratios of clients are lower than 130%.

As of December 31, 2014 and 2015 and September 30, 2016, all outstanding balances of our securities repurchase business are of "normal" status.

Personal Finance

Retail Brokerage

Major risks of a retail brokerage business include operational risks, compliance risks and credit risks. We manage the risks of our retail brokerage business mainly through the following measures:

- implementing a management model comprising centralized trading, centralized clearing, centralized financial management, centralized back-office management and centralized risk management, and achieving streamlined management of our retail brokerage business;

- establishing standard position setup, taking position management measures and improving a position responsibility system according to the principle of separation of positions and responsibility;

- implementing long-term account management policies including the guidelines for opening of qualified accounts, the management measures for small-balance dormant accounts and the clean-up mechanism for unqualified accounts;

- verifying a client's identity and making an assessment before account opening based on its asset size, business operation, credit record, understanding of the capital markets and risk tolerance;

- implementing a third-party custody system for client transaction settlement funds, and achieving closed-end operation of client funds to protect the client funds;

- standardizing the operational procedures and the authority of IT personnel to prevent technological risks of information systems;

- establishing an off-site monitoring system, setting warning thresholds, and monitoring abnormalities of the retail brokerage business; and

- developing an emergency and business continuity plan to respond to any emergencies arising from uncertainties including natural disasters, fires and power outages.

Margin Financing and Securities Lending

The risks of a margin financing and securities lending business are primarily credit risks, market risks, operational risks and compliance risks. We have continuously enhanced and improved the risk management in our margin financing and securities lending business, strengthened the monitoring of risks for client accounts, and improved our risk warning abilities. We manage the risks of our margin financing and securities lending business primarily through the following measures:

- implementing strict client eligibility management and continuous qualification management, and strict approval procedures;

- establishing a client selection and credit assessment system, determining transaction eligibility and limits of clients based on their identities, assets and income, investment experience, risk appetite, trading frequency and integrity compliance records; approving credit and managing the margin ratio according to the classification of clients;

- through a negative list mechanism for collateral and collateral discount rate models, adopting differentiated discount ratios on collateral with different grades based on their quality and making adjustment based on various factors including market trends and volatility as well as concentration and liquidity of collateral;

- implementing a two-tier risk monitoring and management mechanism to effectively prevent the risk of client default, with our margin financing and securities lending department monitoring the market daily and monitoring clients' margin maintenance ratio, maturity of financing contracts, margin calls and changes of quality of underlying securities and carrying out post-funding management, and our risk management department conducting independent risk monitoring regarding our overall risk profile, large-balance and high-risk clients and concentration ratio, and analyzing and evaluating through measures including stress testing;

- carrying out real-time monitoring and imposing trading restrictions at system level, covering monitoring indicators including net capital ratio, size of margin financing and securities lending of any single security, size of margin financing and securities lending of any single client, and ratio of liquidity-unrestricted stocks;

- enhancing the risk control of the concentration of clients' funds, strengthening our management and control over the concentration of a single client or a single collateral, and further enhancing countercyclical adjustments; when the market is overheated with high accumulated risks, reducing the portfolio risks of the margin financing and securities lending business by reducing leverage ratio and collateral discount rate and controlling financing targets and credit lines.

- establishing a risk management warning mechanism to monitor the value of our clients' collateral and the maintenance margin ratio on a real-time basis:
  - if the balance of credit or margin available to a client is insufficient, we will cease to provide additional margin financing and securities lending to this client;
  - if the maintenance margin ratios fall below 140%, a client enters into the "concern" status and we will monitor such clients more closely;
  - if the maintenance margin ratios fall below 130%, a client enters into the "alert" status and we will issue a warning to this client requiring him to increase his maintenance margin ratio to no less than 130% within one trading day or to no less than 140% within two trading days;
  - a client who fails to increase his maintenance margin ratio on time will enter into the "risk" status and we will generally carry out forced liquidation of collateral of his margin financing and securities lending account or demand full repayment;
- strictly implementing the risk management policy of forced liquidation and establishing strict liquidation procedures and recourse mechanisms to ensure the fairness and efficiency of liquidation and to safeguard our rights to the maximum as a creditor.

The following table sets forth the maximum collateral discount rates by type of securities applicable in our margin financing and securities lending business as of September 30, 2016:

Type of securities	Maximum collateral discount rate
Treasury bonds, monetary funds	95%
ETF	80%
Non-ETF listed securities investment funds and non-MOF bonds	80%
SSE 180 Index and SZSE 100 Index constituent stocks	70%
Non-ST stocks (excluding SSE 180 Index and SZSE 100 Index constituent stocks)	65%
ST stocks	0%

The following table sets forth a breakdown of outstanding balances of our margin financing and securities lending business by clients' status as of the dates indicated.

	As of December 31,				As of September 30,	
	2014		2015		2016	
	(RMB in millions, except for percentages)					
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Normal status[1]	69,745.3	98.6%	72,323.7	99.7%	52,673.1	99.4%
Concern status[2]	991.8	1.4%	156.8	0.2%	317.3	0.6%
Alert status[3]	1.3	0.0%	17.4	0.0%	—	—
Risk status[4]	5.9	0.0%	24.1	0.0%	18.7	0.0%
Total	**70,744.5**	**100.0%**	**72,522.0**	**100.0%**	**53,009.1**	**100.0%**

Note:

(1) The maintenance margin ratios of clients are not lower than 140%.

(2) The maintenance margin ratios of clients are between 130% and 140%.

(3) The maintenance margin ratios of clients are lower than 130%, and we have issued a warning to these clients requiring them to increase their maintenance margin ratios.

(4) The maintenance margin ratios of clients are lower than 130%, and clients failed to increase their maintenance margin ratios as we requested.

Wealth Management

We manage the risks of our wealth management business primarily through the following measures:

- establishing a comprehensive set of policies regarding management of agency sales, marketing standards, investor eligibility and client feedback management, as well as a complete business flow for sales of financial products from product intake, evaluation, decision-making and sales to ongoing monitoring; amending the procedures according to our business development in time;

- assessing our clients' risk profile based on factors including their financial condition and income, knowledge of securities, securities investment experience, risk appetite and age;

- establishing management principles for the eligibility of financial products, and tying the risk rating of the financial products to the risk tolerance of our clients to strengthen our management and control over sales eligibility; and

- carrying out ad hoc self-examination and internal and external audit for the management of branches involved in the sales of financial products, business promotion, risk disclosure and client eligibility management to prevent and manage risks.

Investment Management

Asset Management

We conduct our asset management business mainly through Guotai Junan Asset Management. We update the business authorization for Guotai Junan Asset Management on a routine and ad hoc basis and carry out a review and approval on certain high-risk and new business plans and other risk events beyond the authority granted to Guotai Junan Asset Management.

Following our risk management system, Guotai Junan Asset Management carries out risk management within its authorization and reviews and approves on any risk events that may arise during its operation through routine or ad hoc meetings. Meanwhile, Guotai Junan Asset Management has established an independent risk control and compliance management mechanism to enhance effective execution of the entrusted duties and accurate disclosure of risks. The compliance department, risk management department and audit department of the Company also provide support to Guotai Junan Asset Management.

RISK MANAGEMENT

We manage the risks of our asset management business primarily through the following measures:

- establishing a securities pool for the investment management of asset management products, creating a list of securities to be included into the pool according to our internal and external research resources, and including the securities on the list into the securities pool after completing the relevant investment approval procedures;

- conducting investment trading through a centralized trading system in independent trading rooms with the head of trading and traders performing pre-trade examination on compliance with regulations with respect to the trading orders and the traders having the right to refuse to execute trading orders that violate laws, regulations and investment management rules, and to promptly report such events to supervisors;

- implementing a risk monitoring and reporting mechanism under which we conduct in-process risk monitoring and follow-up risk reporting; for key investment restrictions, conducting trial calculations of risks before any order is placed through the investment trading system and placing an order only if the risk indicators of the risk control module are satisfied so as to ensure the investments meet product risk return targets and investment restriction requirements;

- separating our asset management business from our proprietary trading and other securities businesses in order to prevent insider trading and conflicts of interest; separating the business responsibilities under the asset management business that may cause conflicts of interest, including investment operations, transfer and allocation of funds, account management, settlement and clearing, valuation and accounting; prohibiting senior management from managing businesses under which conflicts of interest exist and information needs to be screened; prohibiting the investment manager of a targeted asset management plan to act as the investment manager of any other asset management business;

- prohibiting any trade between proprietary trading accounts and asset management accounts, or between different asset management accounts, for the purpose of transferring profit or loss of asset management accounts;

- entrusting client assets to qualified commercial banks, the China Securities Depository and Clearing Corporation Limited, securities firms approved by the CSRC or other asset custodian institutions that comply with the laws, regulations and regulatory rules; providing asset management services to our clients through designated accounts;

- conducting eligibility due diligence on the identity of our clients and obtaining information on their assets, income, securities investment experiences, investment preferences, risk awareness and risk tolerance so that we can recommend products or services that match the risk tolerance of the client; examining the legitimacy of the sources of capital and uses of the managed assets in time; and

- including in our product contract documents risk statements to disclose the market risk, credit risk, operational risk, liquidity risk and other specific risks associated with investment in asset management products, and submitting them to the clients for their signature; during the sales process, requiring our sales representatives to earnestly disclose to our clients the product risk and return characteristics, investment scope, investment restrictions and other terms relating to special risks in the asset management contracts.

Fund Management

We currently carry out our fund management business mainly through GTJA Allianz Funds. GTJA Allianz Funds manages the risks of our fund management business primarily through the following measures:

- for the prevention of conflicts of interest, implementing strict internal control policies which cover investment management business control, information disclosure control, IT system control, accounting system control and internal audit control; and

- establishing the mechanism of separating incompatible positions, rigorous position responsibility system, standardized position management measures, comprehensive information and data security system, strict authorization control, effective risk prevention system and rapid response mechanism, to guarantee that the fund managers carry out business in compliance with laws, regulations and industry regulatory rules, while preventing and mitigating operational risks as well as ensuring the stability of business operation and the safety of the entrusted assets.

Direct Investment

We engage in direct investment business primarily through Guotai Junan Innovation Investment. The investment management committee, chief risk officer and compliance and risk management department of Guotai Junan Innovation Investment discuss and approve appropriate investments and their exits.

Guotai Junan Innovation Investment has compiled internal guidelines and standards for product scheme design, investment approval, project due diligence, investment decision and execution, post-investment management and exit strategies for private equity investment and principal investment. Under these guidelines and standards, Guotai Junan Innovation Investment seeks to manage the risks throughout the whole process of a project, and establish a multilevel review mechanism to effectively manage and control the relevant risks of the direct investment business.

International Business

We carry out our international business mainly through Guotai Junan International. Guotai Junan International adopts stringent risk management policies and monitoring system to control all risks of its business.

Brokerage

Guotai Junan International manages the risk of its brokerage business mainly through the following measures:

- All applications for credit limits must be reviewed by a credit manager and approved by a member of the risk management department and the credit committee. The equity financing department and the risk management department determine on case-by-case basis whether forced liquidation action is to be taken against clients with overdue balances. The credit committee regularly reviews the overdue balances reports; and

- Only margin deposit in the form of cash may be accepted for futures, options and leveraged foreign exchange trading. No transaction may be executed if a client's current position exceeds its trading limit. The risk management department timely monitors the margin deposit placed and the aggregate of the required margin deposit of each futures, options and leveraged foreign exchange contract. Margin call will be executed if there is a deficit in a client's margin deposit. Forced liquidation of a client's position will generally be executed if the client fails to meet margin calls.

Corporate Finance

Guotai Junan International manages the risk of its corporate finance business mainly through the following measures:

- establishing a risk evaluation system and a project management system as well as operation procedures and business policies based on the business workflow and regulatory requirements of various corporate finance businesses; enhancing training for employees as well as restrictions and supervision of employee trading, to prevent the occurrence of non-compliance events;

- formulating due diligence operational rules and document management rules as well as enhancing the professionalism and integrity of the business team through enhanced training; and

- establishing an independent quality control team to conduct quality check on projects by onsite and offsite process supervision and quality control.

Asset Management

Guotai Junan International manages the risk of its asset management business mainly through the following measures:

- devising asset allocation solutions and investment scope for funds and investment portfolios, regularly evaluating industry allocation strategy for funds and investment portfolios;

- establishing eligible securities pool for funds and investment portfolios reviewing and approving securities to be included in the pool in advance with supporting researches reports; and

- implementing securities investment stop-loss policy, regularly producing statements of profit or loss for funds, investment portfolios and individual securities owned by it and limiting the loss when necessary.

Loans and Financing

Guotai Junan International manages the risk of its loans and financing business mainly through the following measures:

- the equity financing department and the risk management department are responsible for approving the credit limit and margin limit of clients and making margin calls to margin clients whose trading exceeded their respective limits. Any such excess is required to be made good according to the deficiency report. The equity financing department monitors the deficiency reports on a daily basis. Failure to meet margin calls may result in the liquidation of the client's positions. The credit committee is also responsible for approval of stocks acceptable as margin collateral and the margin lending ratio. The list of approved margin collateral stocks will be reviewed and revised by the credit committee when necessary;

- Guotai Junan International minimizes its relevant risk exposure by performing detailed credit analysis of potential loan investments, and assigns specialists to oversee and monitor the performance of the loan investments; and

- loans and advances granted to clients, including IPO loans for subscription of new shares, are normally settled within one week from the drawdown date. Forced liquidation action may take place if a client fails to settle its shortfall within specific grace period after an IPO allotment result is announced.

Financial Products, Market Making and Investments

Guotai Junan International manages the risk of its financial products, market making and investments business mainly through the following measures:

- its risk management department evaluates every structured financial product with respect to transaction terms, potential risks and anticipated returns, and issues opinions on the overall structure and terms of such products and limits the overall amount of financial products; and

- it introduced eligible securities pool and overall trading limits for market making business and set a series of risk management indicators, including limits on single financial tools and issuers, limits on holding period and limits on accumulated losses.

NEW PRODUCTS AND BUSINESSES

We have established comprehensive internal policies regarding the review and approval procedures for new products and businesses. For significant and company-wide new products and businesses, the senior management is responsible for organizing an inter-departmental working group to jointly research and develop such products or businesses, and for reviewing and approving them upon completion of the research and development. For other new products and businesses, after business departments submit proposals for new products and businesses, the risk management committee under the senior management will coordinate relevant departments to a conduct a risk assessment, and submit the proposals to senior management for review. Under both schemes, the business department that applies for a new product or business must submit a completed business proposal, including the proposed risk management and internal control procedures for such product or business.

The departments responsible for risk management, including the risk management department, the compliance department and the legal affairs department, will participate in the entire process of the development, analysis and approval of the new product or business, and conduct a comprehensive risk assessment of the risks involved in the new product or business. Moreover, prior to formal launch, all new products and business are required to be reviewed and approved by the risk management committee under the senior management and obtain business authorization from this committee. After the launch of new product or business, the risk management department, the compliance department and the legal affairs department will continue to monitor and manage the risks relating to the new product or business, and the compliance department and the audit department will conduct independent inspection or audit on the operations of the new product or business. We do not enter into business areas where risks are not adequately assessed or understood or which do not meet regulatory requirements or market trends.

CONFLICTS OF INTEREST

Conflicts of interest may arise between (i) our various operating units; (ii) our clients and ourselves; (iii) our clients; (iv) our employees and ourselves; or (v) our clients and our employees.

To prevent conflicts of interest, we have adopted specific measures including, but not limited to, the following:

- Research personnel are prohibited from providing false or misleading information or contradictory views in investment analysis, forecasts or recommendations regarding the same issue to the public, different clients and various departments at the same time; and

- Senior management personnel responsible for two or more businesses where there are conflicts of interest are prohibited from participating, directly or indirectly, in business activities that may result in conflicts of interest, including investment decision-making and consultation regarding specific securities.

We have adopted a series of measures and methods to manage conflicts of interest, primarily the adoption of Chinese walls. We primarily adopt measures of information segregation to avoid conflicts of interests. In the event that there are still conflicts of interest notwithstanding the establishment of Chinese walls, such conflicts of interest must be disclosed. If such conflicts of interest cannot be managed effectively through disclosure, we may adopt measures including imposing restrictions on business activities. In the event that we impose restrictions on business activities, we endeavor to prioritize our clients' interests and treat all clients fairly.

During the Track Record Period, we did not experience any significant failure to protect confidential information from, or related to, our clients.

CHINESE WALLS

A Chinese wall is a barrier to protect sensitive information from being transmitted between, or being used by, businesses with conflicts of interest. It includes a series of measures to prevent the occurrence of conflicts of interest between us and clients as well as between different clients and between different business lines.

We have a diversified range of businesses and products, and we will inevitably encounter conflicts of interest between two or more parties during the course of our business. In order to protect the interests of our clients and to maintain our good reputation, we have established Chinese walls between various business lines to prevent or minimize potential conflicts of interest by controlling the flow of sensitive information and establishing applicable rules and policies on information segregation. Specifically, we have implemented measures including, but not limited to, the following:

- Business lines with conflicts of interest, including investment banking, sales and trading, investment management and research, are physically segregated. They operate in different

offices and use separate computers, facsimile machines, printers and other office equipment. We have adopted a strict access management system by setting access control for key places such as business departments and trading rooms with sensitive information;

- We have established an observation list and restrictive list management system. In the event that we obtain sensitive information regarding specific securities or establish a business connection in relation to such securities (such as providing underwriting or financial advisory services to corporate clients), we put such securities on the observation list or timely adopt restrictive measures to such securities based on the progress and stage of the project. In particular, based on the progress and stage of the project, we put such securities and relevant information on the observation list or restrictive list, monitor the business activities relating to the companies or securities on the observation list and conduct an investigation in time if there is any abnormal condition. We also impose restrictions on related businesses, including sales and trading in, and research on, such companies or securities in accordance with relevant laws and regulations; and

- Funds and securities accounts associated with our sales and trading, investment management, margin financing and securities lending and other businesses with conflicts of interest are separately handled, independently set up, strictly segregated and independently managed, and funds and securities in separate accounts cannot be mixed or transferred from one to another;

- The IT systems for different businesses with conflicts of interest are independent from each other or logically separated.

We believe that our information segregation system and Chinese wall mechanism have been effective in preventing insider trading and managing conflicts of interest during the Track Record Period.

SEGREGATION OF DUTIES

To minimize the possibility of collusion and improper trading, duties and functions within our various business departments are assigned to different teams of employees. No employee may work concurrently for two or more departments with conflicts of interest.

Employees in the business departments are not allowed to work concurrently in subsidiaries with conflicts of interest. Employees are not allowed to work concurrently in the IT department, planning and finance department and departments with supervision and inspection functions. Settlement officers are not allowed to concurrently work in our IT department or trading departments.

ANTI-MONEY LAUNDERING

We have incorporated anti-money laundering procedures into our internal control system and daily operation in strict compliance with the PRC laws and regulations on anti-money laundering, as well as relevant requirements of the PBOC and the CSRC. We have established an anti-money laundering leadership group, chaired by our president and comprising our president, the chief

compliance officer and relevant senior management personnel, to be fully responsible for our anti-money laundering procedures. The compliance department is the department-in-charge of the Company's anti-money laundering procedures. The Company has currently established rigorous anti-money laundering internal control policies covering client identification, record keeping of client identity information and transaction records, classification of risk tolerance levels of clients, reporting on large-sum and suspicious transactions, internal operation rules and control measures, confidentiality, training and publicity, anti-money laundering auditing, assisting investigation and execution, and on-site inspections.

We have properly maintained the identity data and historical affairs records of our clients. According to the confidentiality requirements, we have provided specialized anti-money laundering training for employees, strengthened anti-money laundering supervision in our day-to-day business operations and strengthened our clients' understanding of anti-money laundering laws. We also actively cooperate with the PBOC in various anti-money laundering actions, such as on-site inspections and off-site supervision. Our audit department conducts a special audit on anti-money laundering on an annual basis and issues an audit report. We revise our anti-money laundering policies and improve our anti-money laundering procedures in light of the issues discovered in such audits.

In Hong Kong, we implement comprehensive internal control policies on anti-money laundering at Guotai Junan Financial Holdings and all of its subsidiaries. In accordance with the "Guideline on Anti-Money Laundering and Counter-Terrorist Financing" issued by the SFC, we conduct due diligence on each client and verify the identity of each account's beneficial holder to make sure it is not related to any terrorist suspects, and we assess the money laundering and terrorist financing risks. We conduct continuous monitoring measures based on the risk level assessed, which include reviewing client profiles from time to time, and monitoring clients' trading activities to identify complex, large or abnormal transactions. If any suspicious transaction is identified, we report such transaction to relevant regulatory authorities in a timely manner. Our senior management values our anti-money laundering culture, appoints our compliance and anti-money laundering reporting officers, and arranges training sessions for our employees to further raise awareness of anti-money laundering internal control policies. In addition, we implement local policies in other jurisdictions to comply with applicable local anti-money laundering laws.

We have never participated in, or knowingly assisted with, any money laundering activity. For risks related to money laundering, see "*Risk Factors—Risks relating to Law, Compliance and Regulation—We may fail to detect money laundering and other illegal or improper activities in our business operations on a timely basis*".

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes included in "Appendix I — Accountants' Report," together with the unaudited interim financial information set out in "Appendix II — Unaudited Interim Financial Information".

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We have the following business segments:

- **Institutional Finance:** Our institutional finance business comprises investment banking and institutional investor services. We strive to capture market opportunities through collaboration between these two business lines:

  - Our investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory, and diversified corporate solutions to corporate and government clients;

  - Our institutional investor services business provides prime brokerage, sales and trading, securities-backed financing and research services to institutional investors. We also conduct proprietary trading in equities, derivative financial instruments and FICC;

- **Personal Finance:** Our personal finance business provides, through both offline and online channel, securities and futures brokerage, margin financing and securities lending, wealth management and financial planning services to clients;

- **Investment Management:** Our investment management business provides asset management and fund management services to institutions and individuals, and also includes our direct investment business; and

- **International Business:** We conduct brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong mainly through Guotai Junan International. Meanwhile, we have also built an international business platform around Guotai Junan Financial Holdings. We have expanded our business presence into the United States and Singapore.

BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with IFRSs and include applicable disclosure requirements of the Hong Kong Listing Rules. We prepared our financial statements on the historical cost basis, except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Our financial statements are presented in Renminbi, which is our functional currency.

The financial information includes the consolidated financial statement of the Company and entities (our subsidiaries) that we control. Control is achieved when we have rights to variable returns from our involvement with an investee and have the ability to affect those returns through our power over such investee. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Company. All intragroup transactions, balances, revenue, expenses and cash flows are eliminated in full on consolidation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

Economic and Market Conditions

Our results of operations are materially affected by the conditions of the general economy and the financial markets. Favorable economic or market conditions include high GDP growth, liquid and efficient capital markets, low inflation, low unemployment rate, stable interest rate and exchange rate, increased commercial activities and high investor confidence. Unfavorable or uncertain economic or market conditions include slow economic growth, decreased commercial activities, low investor confidence, limited availability of credit and capital, inflation and interest rates or exchange rate volatility.

Changes in economic conditions may lead to increases or decreases in the number and size of transactions in which we provide underwriting and financial advisory services. Changes in stock markets or interest rates affect the value of our clients' portfolios and their trading and investing activities, which in turn may affect the amount of our brokerage commissions and asset management fees. In particular, the significant growth during the first half of 2015, and the significant decline and volatility in the second half of 2015 and early 2016 in the A share market directly affected our revenue and profits in the corresponding periods. In addition, fluctuating market prices could affect the value of our own investment portfolio, and we may record losses that would adversely affect our results of operations.

Regulatory Environment

Our results of operations, financial condition and prospects are subject to regulatory developments in the PRC and economic measures undertaken by the PRC government. In particular,

our business models and fee structures, and the development of the scope of our product and service offerings have been materially affected by changes in the policies, laws and regulations governing the PRC securities industry. Regulatory changes may also affect our cost of capital and liquidity, and give rise to new challenges for our risk management and internal control.

The CSRC and other regulatory authorities are continuously improving the regulatory system, enhancing the efficiency of capital markets and broadening the scope of new products and services that securities companies can offer. In addition, the PRC government has also taken various measures to improve the capital efficiency and diversify the funding sources of PRC securities companies, including allowing PRC securities companies to issue short-term financing bills, medium-term notes, structured notes, corporate bonds, subordinated bonds and perpetual bonds.

Stabilization Measures in the PRC Stock Market

In 2015, the A share market experienced significant fluctuations, especially from mid-June to the end of August. As a result, the PRC government announced a series of measures to stabilize the stock market and restore investor confidence. In July and September 2015, we contributed to the designated accounts at China Securities Finance for purchasing blue-chip ETFs in China. We have contributed twice an aggregate amount of RMB17,014.0 million, which are accounted as available-for-sale financial assets in our consolidated statements of financial position. Changes in the fair value of such contributions will affect our equity position through other comprehensive income, based on the valuation information of the China Securities Finance. As of December 31, 2015 and September 30, 2016, the fair value of the investment position of the funds contributed to the designated account at the China Securities Finance was RMB16,168.6 million and RMB15,403.9 million, respectively. The accumulated decrease in the fair value of the contributions amounted to RMB845.4 million (a decrease of 5.0%) and RMB1,610.1 million (a decrease of 9.5%) as of December 31, 2015 and September 30, 2016, respectively.

Considering the nature and purpose of such contributions, its difference from our proprietary trading equity investment and uncontrollable timing for recovery, we recognize that there is no objective evidence of impairment with significant or prolonged decline in the fair value of such contributions as of September 30, 2016. As of September 30, 2016, the fair value of our contributions to the designated accounts at the China Securities Finance represented 39.8%, 4.0% and 16.1% of our balance of available-for-sale financial assets, total assets and net tangible assets attributable to equity holders of the Company, respectively. Furthermore, we have undertaken not to reduce our A share proprietary trading positions below our balance as of July 3, 2015 if the SSE Composite Index is below 4,500.

These stabilization measures expose us to additional market and other risks, primarily including the following:

- there is no publicly available information regarding how our contributions to the designated accounts at China Securities Finance have been invested and the timing for recovery of our contributions. We may incur losses from these contributions due to future disposal or impairment and our financial position may fluctuate as a result of revaluation; and

- we may be unable to reduce our net long trading positions or effectively hedge our exposures through short selling to mitigate market risks in a highly volatile market.

Competition

The PRC securities industry is highly competitive. We face intense competition in all aspects of our business. Our major competitors are other securities companies with similar service range and business scale. Furthermore, we also compete with other financial institutions including fund management companies, commercial banks, insurance companies and trust companies. Our competitors may offer a broader range of services, possess greater financial resources or have stronger customer bases.

Competition may affect the pricing of products and services that we offer, particularly in our retail brokerage business. Our stocks and funds brokerage fee and commission income accounted for a substantial portion of our total revenue and other income and was mainly influenced by commission rates and trading volume. In recent years, in line with the intensified price competition in the stocks and funds brokerage business in China and the market trend of decreasing brokerage commission rates, our average net stocks and funds brokerage commission rate in China has also decreased over the past few years. In 2014, 2015 and the nine months ended September 30, 2016, our average stocks and funds brokerage net commission rate was 7.18bps, 5.78bps and 4.72bps, respectively, while the market average stocks and funds brokerage net commission rate was 6.63bps, 4.97bps and 3.90bps, respectively.

We provide the following table showing a sensitivity analysis to illustrate the potential impact of the changes in our average stocks and funds brokerage net commission rate in China on our profit before income tax, assuming all other variables remain unchanged, for the periods indicated.

	Changes in profit before income tax for the year ended December 31,		Changes in profit before income tax for the nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions)			
Changes in average stocks and funds brokerage net commission rate				
Increase by 0.5bps	403.3	1,374.7	1,062.7	480.3
Decrease by 0.5bps	(403.3)	(1,374.7)	(1,062.7)	(480.3)
Increase by 1bps	806.6	2,749.4	2,125.4	960.5
Decrease by 1bps	(806.6)	(2,749.4)	(2,125.4)	(960.5)

We believe that the principal factors affecting competition include pricing, the types of products and services offered, transaction execution, experience and knowledge of staff and geographic coverage. Increasing competition or an adverse change in our competitive position could lead to a reduction of market share and, as a result, a decrease in revenue and profit. Competition can also raise our costs of hiring and retaining the employees.

Business Lines and Product Mix

Our business lines and products have different profit margins and growth prospects. As a result, any material change in our business lines and product mix due to changes in our growth strategies, market conditions, customer demand and other factors may affect our financial condition and results of operations.

Our historical results of operations were significantly affected by the revenue contribution and profit margin of our retail brokerage business. We seek to optimize our product mix by increasing the revenue contribution from other business lines with relatively higher profit margin and significant growth potential, such as investment banking business, securities-backed financing business and investment management business. In 2014 and 2015 and the nine months ended September 30, 2016, revenue from our investment banking business accounted for 6.1%, 5.8% and 8.5% of our total revenue and other income, respectively; revenue from our securities-backed financing business accounted for 3.6%, 3.1% and 6.0% of our total revenue and other income, respectively; and revenue from our investment management business accounted for 5.9%, 5.0% and 18.0% of our total revenue and other income, respectively.

As we also seek to diversify our revenue sources by broadening our product and service offerings, our future results of operations and financial condition could be significantly affected by our ability to design, develop and bring new products to market, to transact business with new clients and counterparties, to manage new asset classes and to expand into new markets.

Interest Rates

Our business and results of operations are affected by changes in interest rates in China. In particular, when interest rates rise:

- the fair value of fixed-income securities we invest in may decrease and adversely affect our average investment yield;

- it may undermine the ability or willingness of our institutional clients to raise funds from the debt markets, which could lower the income generated by our debt underwriting business;

- it may increase the interest income we would earn on floating-rate interest-earning assets. Our interest-earning assets consist primarily of advances we provide to customers for our margin financing and securities lending business, bank deposits, clearing settlement funds and securities-backed financing; and

- our interest expenses and financing costs may increase.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Certain significant accounting policies in note 3 of "*Appendix I — Accountants' Report*", which are important for understanding our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 4 of "*Appendix I — Accountants' Report*". In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. See note 4 of "*Appendix I — Accountants' Report*".

IMPACT OF FUTURE ACCOUNTING POLICY CHANGES

The IASB, which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments to replace IAS 39, and give rise to substantial changes in the classification and measurement and impairment of financial assets. These standards will take effect on January 1, 2018.

The main differences between IFRS 9 and IAS 39 are the measurement categories and the approaches for classifying financial assets. The classification of financial assets under IFRS 9 will require us to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurements of investments in debt instruments. Further, for debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss, we will be required to apply a new expected loss impairment model under IFRS 9, which, as compared to the incurred loss model in IAS 39, uses more forward-looking information instead of objective evidence of impairment as a precondition for recognizing impairment losses. In particular, calculation of impairment of financial instruments on an expected impairment loss basis will result in an earlier recognition of, and may result in an increase in, impairment allowances.

We are assessing the potential impact on our financial statements resulting from the application of IFRS 9, including the classification and measurement of financial assets, assessing the need for any system adjustment related to expected loss model, updating policies for impairment of financial instruments and launching relevant staff training. We have not completed our assessment of the full impact of adopting IFRS 9 and therefore its possible impacts on our results of operations and financial position have not been quantified at this stage. We will change our current impairment provisioning practice in the future in accordance with IFRS 9 and any authoritative interpretive guidance on its application. It is expected that the application of the expected loss impairment model will have an impact on the calculation, amount and timing of the allowance for impairment losses. See *"Risk Factors— Risks relating to Legal, Compliance and Regulatory Matters— The application of IFRS 9 and its amendments in the future will affect the classification and measurement of our financial assets"*.

For other new accounting standards that come into effect after the document date, see Note 2.2 to our historical financial information set forth in "*Appendix I — Accountants' Report*." We may put in place necessary changes to comply with the new standards from time to time.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Total revenue and other income

Our total revenue consists of fee and commission income, interest income and net investment gains.

Fee and commission income

Our fee and commission income primarily consists of income from the following activities: (i) securities brokerage business and investment consulting business; (ii) underwriting and sponsorship business; and (iii) asset management business.

Securities brokerage and investment consulting business. We generate fee and commission income from our securities brokerage business and investment consulting business by trading stocks, bonds and funds on behalf of our clients, distributing financial products issued by financial institutions and providing wealth management services to our clients. Commission and fee income from our securities brokerage business and investment consulting business primarily depends on the trading volume and our fee and commission rates.

Underwriting and sponsorship business. We generate fee and commission income from our underwriting and sponsorship business by providing equity underwriting and sponsorship as well as debt underwriting services. Income from our underwriting and sponsorship businesses primarily depends on the underwriting transaction size and commission rates.

Asset management business. We generate fee and commission income from our asset management business by managing our clients' assets and investment portfolios. Income from our asset management business primarily depends on our AUM and our fee rates as well as return earned for our clients.

Interest income

Our interest income are primarily from the following activities: (i) margin financing and securities lending, (ii) stock-pledged financing and securities repurchase, and (iii) deposit in financial institutions.

Margin financing and securities lending and securities-backed financing. Interest income from our margin financing and securities lending and securities-backed financing depends on the principal amount of financing we extend to our clients and the interest rates agreed between our clients and us.

Deposit in financial institutions. We receive interest income from banks and other financial institutions for cash balance held on behalf of our brokerage customers as well as our own cash balance. Cash balance held on behalf of brokerage customers are primarily affected by the overall level of trading activities of our securities and futures brokerage businesses.

Net investment gains

Our net investment gains primarily include investment gains or losses from: (i) available-for-sale financial assets, (ii) financial instruments at fair value through profit or loss; and (iii) derivative financial instruments.

Other income and gains

Our other income and gains primarily include certain non-recurring income, such as government grants. We receive grants and subsidies from local governments primarily in relation to our business development.

Total expenses

Our total expenses primarily include: (i) fee and commission expenses; (ii) interest expenses; (iii) staff costs; and (iv) other operating expenses and costs.

Fee and commission expenses

Our fee and commission expenses primarily include expenses for the following: (i) securities brokerage business and investment consulting business, (ii) underwriting and sponsorship business, and (iii) futures brokerage business.

Interest expenses

Our interest expenses primarily include interest expenses on: (i) bonds payable; (ii) financial assets sold under repurchase agreements; and (iii) accounts payable to brokerage customers.

In order to manage our working capital, we enter into repurchase agreements with counterparties (such as banks and other financial institutions), under which we incur interest expenses by pledging or selling our financial assets (such as bonds, margin financing and securities lending receivables and funds) to the counterparties and agreeing to repurchase such assets at a predetermined price on the maturity date of the repurchase agreement.

While we earn interest income on deposits we hold on behalf of our customers, we also pay interest expenses on such deposits to our customers with reference to prevailing benchmark interest rates announced by the PBOC.

Staff costs

Our staff costs primarily include salaries, bonuses and allowances.

Other operating expenses and costs

Our other operating expenses and costs primarily include rental expenses as well as administrative and office operating expenses.

Income tax expenses

We are subject to income tax on a single-entity basis on profits arising in, or derived from, the jurisdictions in which members of the Group are domiciled and operate. During the Track Record Period, the Company and our PRC subsidiaries were subject to an EIT rate of 25.0% in accordance with the EIT law that became effective on January 1, 2008. Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits during the Track Record Period.

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Fee and commission income	10,934.2	27,127.6	20,850.7	11,577.5
Interest income	6,862.5	15,433.8	12,003.2	8,897.5
Net investment gains	6,278.9	9,247.1	7,099.2	3,737.0
Total revenue	**24,075.6**	**51,808.6**	**39,953.0**	**24,212.0**
Other income and gains	327.5	300.2	287.5	3,700.3
Total revenue and other income	**24,403.1**	**52,108.8**	**40,240.5**	**27,912.3**
Fee and commission expenses	1,439.3	3,899.7	3,035.6	1,650.5
Interest expenses	4,760.6	10,275.3	7,820.6	5,552.0
Staff costs	5,407.0	10,041.5	7,998.2	5,618.5
Depreciation and amortization expenses	301.7	382.5	274.1	312.9
Business tax and surcharges	865.3	2,272.4	1,750.7	529.3
Other operating expenses and costs	1,744.4	2,433.6	1,676.6	1,769.2
Provision for impairment losses	408.7	769.9	754.2	815.4
Total expenses	**14,926.9**	**30,074.9**	**23,309.9**	**16,247.7**
Operating profit	**9,476.2**	**22,033.8**	**16,930.6**	**11,664.7**
Share of profits of associates and joint ventures	0.4	17.3	9.6	53.2
Profit before income tax	**9,476.6**	**22,051.1**	**16,940.2**	**11,717.8**
Income tax expenses	2,305.0	5,356.3	4,152.8	2,684.7
Profit for the year/period	**7,171.6**	**16,694.8**	**12,787.5**	**9,033.1**

Total revenue and other income

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Fee and commission income	10,934.2	27,127.6	20,850.7	11,577.5
Interest income	6,862.5	15,433.8	12,003.2	8,897.5
Net investment gains	6,278.9	9,247.1	7,099.2	3,737.0
Total revenue	**24,075.6**	**51,808.6**	**39,953.0**	**24,212.0**
Other income and gains	327.5	300.2	287.5	3,700.3
Total revenue and other income	**24,403.1**	**52,108.8**	**40,240.5**	**27,912.3**

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our total revenue and other income decreased by 30.6% to RMB27,912.3 million in the nine months ended September 30, 2016, from RMB40,240.5 million in the same period in 2015, primarily due to the decreases in our fee and commission income, net investment gains and interest income, reflecting the decreases in the stock trading volume, investment yield and client demand for financing as a result of the volatility of A share stock market at the beginning of 2016.

Comparisons between 2015 and 2014

Our total revenue and other income increased by 113.5% to RMB52,108.8 million in 2015, from RMB24,403.1 million in 2014, primarily due to the substantial increases in the revenue of our principal business segments, reflecting the increases in the stock trading volume, investment yield and client demand for financing as a result of the active market in the first half of 2015.

Fee and commission income

The following table summarizes our fee and commission income for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Securities brokerage and investment consulting business	7,623.6	20,904.6	16,886.3	6,488.5
Underwriting and sponsorship business	1,492.0	2,789.8	1,576.9	2,324.7
Asset management business	1,138.6	2,224.6	1,630.8	1,888.0
Futures brokerage business	384.8	556.9	453.7	403.6
Financial advisory business	217.2	438.2	166.6	281.4
Others[(1)]	78.1	213.6	136.4	191.3
Total	**10,934.2**	**27,127.6**	**20,850.7**	**11,577.5**

(1) Others primarily refer to custody and outsourcing services income.

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our fee and commission income decreased by 44.5% to RMB11,577.5 million in the nine months ended September 30, 2016, from RMB20,850.7 million in the same period in 2015, primarily due to the significant decrease in the income from our securities brokerage and investment consulting business, partially offset by the increases in the income from our underwriting and sponsorship business and asset management business.

Our fee and commission income from securities brokerage and investment consulting business decreased by 61.6% to RMB6,488.5 million in the nine months ended September 30, 2016, from RMB16,886.3 million in the same period in 2015, primarily due to (i) the decrease in our stocks and funds brokerage trading volume in the PRC by 53.6% to RMB10,639.4 billion in the nine months ended September 30, 2016, from RMB22,946.4 billion in the same period in 2015, reflecting the decrease in the clients' brokerage activities as a result of the volatility of stock market; and (ii) the decrease in our average stocks and funds brokerage net commission rate in the PRC to 4.72 bps in the nine months ended September 30, 2016, from 6.06 bps in the same period in 2015.

Our fee and commission income from underwriting and sponsorship business increased by 47.4% to RMB2,324.7 million in the nine months ended September 30, 2016, from RMB1,576.9 million in the same period in 2015, primarily reflecting the increase in the amount of debt financing underwritten by us in the PRC.

Our fee and commission income from asset management business increased by 15.8% to RMB1,888.0 million in the nine months ended September 30, 2016, from RMB1,630.8 million in the same period in 2015, primarily due to the increase in the total AUM of Guotai Junan Asset Management by 23.7% to RMB675,535.5 million as of September 30, 2016, from RMB546,079.9 million as of September 30, 2015.

Our fee and commission income from futures brokerage business decreased by 11.0% to RMB403.6 million in the nine months ended September 30, 2016, from RMB453.7 million in the same period in 2015, primarily due to the significant decrease in the turnover of our futures brokerage, reflecting the decrease in the trading volume of financial futures since the third quarter of 2015, partially offset by the increase in the trading volume of commodity futures which have higher brokerage fee rates.

Our fee and commission income from financial advisory business increased by 68.9% to RMB281.4 million in the nine months ended September 30, 2016, from RMB166.6 million in the same period in 2015, primarily due to the increase in the revenue from the advisory services for our NEEQ business.

Our fee and commission income from others increased by 40.3% to RMB191.3 million in the nine months ended September 30, 2016, from RMB136.4 million in the same period in 2015, primarily due to the growth in the income from our custody services.

Comparisons between 2015 and 2014

Our fee and commission income increased by 148.1% to RMB27,127.6 million in 2015, from RMB10,934.2 million in 2014, primarily due to the significant increase in the income from our securities brokerage and investment consulting business.

Our fee and commission income from securities brokerage and investment consulting business increased by 174.2% to RMB20,904.6 million in 2015, from RMB7,623.6 million in 2014, primarily due to the increase in our stocks and funds brokerage trading volume in China by 226.6% to RMB29,096.3 billion in 2015, from RMB8,910.1 billion from 2014, partially offset by the decrease in our average stocks and funds brokerage net commission rate in the PRC to 5.78 bps in 2015 from 7.18 bps in 2014.

Our fee and commission income from underwriting and sponsorship business increased by 87.0% to RMB2,789.8 million in 2015, from RMB1,492.0 million in 2014, primarily due to (i) the increase in the amount of debt financing underwritten by us in the PRC by 113.8% to RMB231,175.2 million in 2015, from RMB108,151.1 million in 2014; and (ii) the increase in the amount of equity financing underwritten by us in the PRC by 175.1% to RMB90,284.5 million in 2015, from RMB32,814.0 million in 2014.

Our fee and commission income from asset management business increased by 95.4% to RMB2,224.6 million in 2015, from RMB1,138.6 million in 2014, primarily due to (i) the increase in the total AUM of Guotai Junan Asset Management by 18.4% to RMB608,584.4 million as of December 31, 2015, from RMB513,965.9 million as of December 31, 2014, and (ii) the significant increase in our product performance fees, reflecting the enhanced performance of our asset management schemes under our active management and favorable condition of the A share market in 2015.

Our fee and commission income from futures brokerage business increased by 44.7% to RMB556.9 million in 2015, from RMB384.8 million in 2014, primarily due to the increase in the turnover of our futures brokerage by 88.6% to RMB49,136.3 billion in 2015 from RMB26,050.8 billion in 2014 as a result of active futures trading in the market.

Our fee and commission income from financial advisory business increased by 101.8% to RMB438.2 million in 2015, from RMB217.2 million in 2014, primarily due to the significant increase in the transaction size of the M&A transactions in which we participated as a result of active M&A activities in the market.

Our fee and commission income from others increased by 173.3% to RMB213.6 million in 2015, from RMB78.1 million in 2014, primarily due to the growth in the income from our custody services.

Interest income

The following table summarizes our interest income for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	**2015**	**2015**	**2016**
			(unaudited)	
	(RMB in millions)			
Margin financing and securities lending	3,644.9	8,127.1	6,542.7	4,023.0
Deposit in financial institutions	1,832.8	4,929.4	3,740.4	2,843.8
Stock-pledged financing and securities repurchase	889.7	1,592.8	1,113.6	1,661.2
Other financial assets held under resale agreements	389.4	631.1	491.4	276.4
Debt instruments classified as receivables	41.8	87.2	64.4	41.4
Others	63.9	66.2	50.6	51.6
Total	**6,862.5**	**15,433.8**	**12,003.2**	**8,897.5**

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our interest income decreased by 25.9% to RMB8,897.5 million in the nine months ended September 30, 2016, from RMB12,003.2 million in the same period in 2015, primarily due to the decreases in the interest income from our margin financing and securities lending and deposit in financial institutions.

Our interest income from margin financing and securities lending decreased by 38.5% to RMB4,023.0 million for the nine months ended September 30, 2016, from RMB6,542.7 million in the same period in 2015, primarily due to the decrease in the average balance of our margin financing and securities lending, reflecting the highly volatile market conditions and the decrease in the overall financing demand in the market.

Our interest income from deposit in financial institutions decreased by 24.0% to RMB2,843.8 million in the nine months ended September 30, 2016, from RMB3,740.4 million in the same period in 2015, primarily due to the decrease in the balances of cash held on behalf of our brokerage customers by 36.1% to RMB107,182.4 million as of September 30, 2016, from RMB167,865.5 million as of September 30, 2015, reflecting our clients' decreased brokerage activities in the nine months ended September 30, 2016 as compared with the active market in the nine months ended September 30, 2015.

Our interest income from stock-pledged financing and securities repurchase increased by 49.2% to RMB1,661.2 million for the nine months ended September 30, 2016, from RMB1,113.6 million in the same period in 2015, primarily due to the rapid growth of our stock-pledged financing business.

Comparisons between 2015 and 2014

Our interest income increased by 124.9% to RMB15,433.8 million in 2015, from RMB6,862.5 million in 2014, primarily due to the substantial growth in our interest income from margin financing and securities lending business.

Our interest income from margin financing and securities lending increased by 123.0% to RMB8,127.1 million in 2015, from RMB3,644.9 million in 2014, primarily due to the increase in the average balance of our margin financing and securities lending, partially offset by the decrease in weighted average annualized interest rate for margin financing and securities lending.

Our interest income from deposit in financial institutions increased by 169.0% to RMB4,929.4 million in 2015, from RMB1,832.8 million in 2014, primarily due to the increases in (i) our cash and bank balances by 61.6% to RMB30,058.9 million as of December 31, 2015, from RMB18,599.2 million as of December 31, 2014; and (ii) the balance of cash held on behalf of our brokerage customers by 53.0% to RMB146,294.8 million as of December 31, 2015, from RMB95,643.9 million as of December 31, 2014, reflecting our clients' increased brokerage activities in the favorable A share market conditions.

Our interest income from stock-pledged financing and securities repurchase increased by 79.0% to RMB1,592.8 million in 2015, from RMB889.7 million in 2014, primarily due to the increase in the balance of our stock-pledged financing by 63.6% to RMB22,302.4 million as of December 31, 2015, from RMB13,629.0 million as of December 31, 2014, reflecting the rapid growth of our stock-pledged financing business.

Net investment gains

The following table summarizes our net investment gains for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Dividend and interest income				
— *Available-for-sale financial assets*	580.7	498.2	413.1	481.5
— *Financial instruments at fair value through profit or loss*	1,649.1	2,604.9	1,808.6	1,938.6
Net realized gains/(losses)				
— *Disposal of available-for-sale financial assets*	609.2	3,108.3	2,564.8	392.5
— *Disposal of financial instruments at fair value through profit or loss*	1,495.7	2,029.1	1,743.2	603.8
— *Disposal of derivative financial instruments*	(1,069.7)	901.8	955.0	435.3
Unrealized gains/(losses)				
— *Fair value changes of financial instruments at fair value through profit or loss*	3,221.5	(201.6)	(926.6)	(206.1)
— *Fair value changes of derivative financial instruments*	(207.6)	306.3	541.0	91.4
Total	**6,278.9**	**9,247.1**	**7,099.2**	**3,737.0**

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our net investment gains decreased by 47.4% to RMB3,737.0 million in the nine months ended September 30, 2016, from RMB7,099.2 million in the same period in 2015, primarily due to the combination of the following reasons:

- the decrease in realized gains from disposal of available-for-sale financial assets by 84.7% to RMB392.5 million in the nine months ended September 30, 2016, from RMB2,564.8 million in the same period in 2015, reflecting the weak market performance in early 2016;

- the decrease in realized gains from disposal of financial instruments at fair value through profit or loss by 65.4% to RMB603.8 million in the nine months ended September 30, 2016, from RMB1,743.2 million in the same period in 2015, reflecting the weak market performance in early 2016; and

- the decrease in unrealized losses from fair value changes of financial instruments at fair value through profit or loss by 77.8% to RMB206.1 million in the nine months ended September 30, 2016, from RMB926.6 million in the same period in 2015, reflecting the market volatility in 2016.

Comparisons between 2015 and 2014

Our net investment gains increased by 47.3% to RMB9,247.1 million in 2015, from RMB6,278.9 million in 2014, primarily due to the combination of the following reasons:

- the increase in our realized gains from disposal of available-for-sale financial assets by 410.2% to RMB3,108.3 million in 2015, from RMB609.2 million in 2014, primarily due to the favorable market conditions in the first half of 2015;

- the realized gains of RMB901.8 million in 2015, compared with the realized losses of RMB1,069.7 million from disposal of derivative financial instruments in 2014, primarily due to gains from the futures contracts held in 2015, which were used by us to hedge against the market movement;

- the increase in our dividend and interest income from financial instruments at fair value through profit or loss by 58.0% to RMB2,604.9 million in 2015, from RMB1,649.1 million in 2014, primarily due to the increase in the balance of our financial instruments at fair value through profit or loss by 60.5% to RMB91.0 billion in 2015, from RMB56.7 billion in 2014, reflecting our increased investment in such financial instruments; and

- the unrealized losses of RMB201.6 million in 2015, compared with the unrealized gains of RMB3,221.5 million from fair value changes of financial instruments at fair value through profit or loss in 2014, primarily due to the drop in the A share stock market in the second half of 2015.

Other income and gains

The following table summarizes our other income and gains for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Gains on disposal of a subsidiary	—	—	—	2,835.3
Government grants	236.3	311.0	298.1	702.4
Others[(1)]	91.2	(10.8)	(10.6)	162.5
Total	**327.5**	**300.2**	**287.5**	**3,700.3**

(1) It primarily consists of income from commodity trading, foreign exchange gains or losses and gains on disposal of property and equipment.

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our other income and gains increased by 1,187.1% to RMB3,700.3 million in the nine months ended September 30, 2016, from RMB287.5 million in the same period in 2015, primarily due to (i) the significant increase in our gains on disposal of a subsidiary, reflecting the gains of RMB2,835.3 million realized on disposal of Haiji Securities Co., Ltd. by Shanghai Securities Co., Ltd., and (ii) the increase in our government grants due to our strong operating performance and innovative operation in 2015.

Comparisons between 2015 and 2014

Our other income and gains decreased by 8.3% to RMB300.2 million in 2015, from RMB327.5 million in 2014, primarily due to (i) the decrease in our gains on disposal of property and equipment, compared with the gains from our disposal of a batch of property and equipment in 2014, which were beyond their useful lives, and (ii) the increase in our foreign exchange losses, reflecting the foreign exchange losses on the Renminbi-denominated monetary assets held by our Hong Kong subsidiaries as a result of the depreciation of Renminbi against Hong Kong dollars in 2015, partially offset by the increase in our government grants, primarily due to our strong operating performance and innovative operation in 2014.

Total expenses

The following table summarizes our total expenses for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Fee and commission expenses	1,439.3	3,899.7	3,035.6	1,650.5
Interest expenses	4,760.6	10,275.3	7,820.6	5,552.0
Staff costs	5,407.0	10,041.5	7,998.2	5,618.5
Depreciation and amortization expenses	301.7	382.5	274.1	312.9
Business tax and surcharges	865.3	2,272.4	1,750.7	529.3
Other operating expenses and costs	1,744.4	2,433.6	1,676.6	1,769.2
Provision for impairment losses	408.7	769.9	754.2	815.4
Total	**14,926.9**	**30,074.9**	**23,309.9**	**16,247.7**

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our total expenses decreased by 30.3% to RMB16,247.7 million in the nine months ended September 30, 2016, from RMB23,309.9 million in the same period in 2015, primarily due to the decreases in our staff costs and interest expenses, which were in line with the decrease in our revenue in the same period.

Comparisons between 2015 and 2014

Our total expenses increased by 101.5% to RMB30,074.9 million in 2015, from RMB14,926.9 million in 2014, primarily due to the increases in our interest expenses and staff costs, which were in line with our significant revenue growth in 2015.

Fee and commission expenses

The following table summarizes our fee and commission expenses for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Securities brokerage and investment consulting business	1,189.4	3,644.4	2,917.2	1,335.0
Underwriting and sponsorship business	191.9	161.0	48.0	212.1
Futures brokerage business	46.6	60.0	41.4	64.3
Others	11.3	34.3	29.0	39.1
Total	**1,439.3**	**3,899.7**	**3,035.6**	**1,650.5**

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our fee and commission expenses decreased by 45.6% to RMB1,650.5 million in the nine months ended September 30, 2016, from RMB3,035.6 million in the same period in 2015, primarily due to the decrease in the expenses incurred in our securities brokerage and investment consulting business, reflecting the decrease in the brokerage trading volume under the unfavorable A share stock market conditions, which was partially offset by the increase in the expenses incurred in our underwriting and sponsorship business, primarily due to the increase in the amount of transactions underwritten by us.

Comparisons between 2015 and 2014

Our fee and commission expenses increased by 171.0% to RMB3,899.7 million in 2015, from RMB1,439.3 million in 2014, primarily due to the significant increase in the expenses incurred in our securities brokerage and investment consulting business, in line with revenue growth of such business.

Interest expenses

The following table summarizes our interest expenses for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Bonds payable	1,242.7	2,750.8	1,924.7	2,233.7
Financial assets sold under repurchase agreements	1,496.1	3,988.2	3,129.7	1,826.4
Priority tranche holders of structured entities	715.1	1,030.2	773.8	450.0
Accounts payable to brokerage customers	206.2	654.1	496.9	346.3
Loans and borrowings	106.5	379.3	268.1	246.4
Placements from other financial institutions	493.3	587.4	506.1	190.8
Short-term debt instruments	425.1	479.1	462.2	145.6
Others[(1)]	75.6	406.2	259.1	112.7
Total	**4,760.6**	**10,275.3**	**7,820.6**	**5,552.0**

(1) It primarily consists of securities borrowing, gold borrowing and derivative financial instruments.

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our interest expenses decreased by 29.0% to RMB5,552.0 million in the nine months ended September 30, 2016, from RMB7,820.6 million in the same period in 2015, primarily due to the decreases in our interest expenses from financial assets sold under repurchase agreements.

Our interest expenses from financial assets sold under repurchase agreements decreased by 41.6% to RMB1,826.4 million in the nine months ended September 30, 2016, from RMB3,129.7 million in the same period in 2015, primarily because we decreased repurchase with margin financing and securities lending receivables as underlying assets.

Comparisons between 2015 and 2014

Our interest expenses increased by 115.8% to RMB10,275.3 million in 2015, from RMB4,760.6 million in 2014, primarily due to the significant increases in our interest expenses from financial assets sold under repurchase agreements and bonds payable, reflecting the increase in the amount of financing for our business expansion.

Our interest expenses from financial assets sold under repurchase agreements increased by 166.6% to RMB3,988.2 million in 2015, from RMB1,496.1 million in 2014, primarily due to our increased use of repurchase agreements with margin financing and securities lending receivables as underlying assets to fund our business activities.

Our interest expenses from bonds payable increased by 121.4% to RMB2,750.8 million in 2015, from RMB1,242.7 million in 2014, primarily due to the increased issuance of bonds in order to support the business growth.

Staff costs

The following table summarizes our staff costs for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Salaries, bonuses and allowances	4,529.7	9,059.8	7,235.0	4,852.7
Contributions to defined contribution schemes	358.5	477.2	371.7	447.6
Other social welfare	518.8	504.5	391.5	318.2
Total	**5,407.0**	**10,041.5**	**7,998.2**	**5,618.5**

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our staff costs decreased by 29.8% to RMB5,618.5 million in the nine months ended September 30, 2016, from RMB7,998.2 million in the same period in 2015, primarily due to the decrease in our performance-based bonuses, reflecting the decrease in our total revenue and profit for the period.

Comparisons between 2015 and 2014

Our staff costs increased by 85.7% to RMB10,041.5 million in 2015, from RMB5,407.0 million in 2014, primarily due to the increase in our staff costs from salaries, bonuses and allowances, reflecting the increases in performance-based bonuses as a result of the growth in our revenue and profit in 2015.

Depreciation and amortization expenses

The following table summarizes our depreciation and amortization expenses for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Depreciation of property and equipment	234.8	301.2	219.6	242.1
Amortization of other intangible assets[(1)]	38.8	54.1	39.1	51.8
Amortization of long-term deferred expenses	28.1	27.2	15.3	18.9
Amortization of prepaid land lease payments	0.0	0.0	0.0	0.0
Total	**301.7**	**382.5**	**274.1**	**312.9**

(1) Other intangible assets mainly include software, trading seats rights and securities and futures brokerage qualification.

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our depreciation and amortization expenses increased by 14.2% to RMB312.9 million in the nine months ended September 30, 2016, from RMB274.1 million in the same period in 2015, primarily due to an increase in depreciation of property and equipment and amortization of other intangible assets, reflecting the expansion of our branch network, including upgrades and improvements of our IT infrastructures.

Comparisons between 2015 and 2014

Our depreciation and amortization expenses increased by 26.8% to RMB382.5 million in 2015, from RMB301.7 million in 2014, primarily due to the increases in depreciation of property and equipment and amortization of other intangible assets, reflecting the expansion of our branch network, including upgrades and improvements of our IT infrastructures.

Business tax and surcharges

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our business tax and surcharges decreased by 69.8% to RMB529.3 million in the nine months ended September 30, 2016, from RMB1,750.7 million in the same period in 2015, which was (i) consistent with the decrease in our total revenue and other income in the nine months ended September 30, 2016; and (ii) affected by the tax reform which replaced business tax with VAT effective from May 1, 2016.

Comparisons between 2015 and 2014

Our business tax and surcharges increased by 162.6% to RMB2,272.4 million in 2015, from RMB865.3 million in 2014, which was consistent with the increase in our total revenue and other income in 2015.

Other operating expenses and costs

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our other operating expenses and costs increased by 5.5% to RMB1,769.2 million in the nine months ended September 30, 2016, from RMB1,676.6 million in the same period in 2015.

Comparisons between 2015 and 2014

Our other operating expenses and costs increased by 39.5% to RMB2,433.6 million in 2015, from to RMB1,744.4 million in 2014, primarily due to the increases in (i) consulting fees, reflecting our increased need for more information on transactions, and research and securities services; (ii) rental expenses, reflecting the increase in the number of the properties that we rented for securities branches as a result of our business expansion; (iii) securities investor protection funds, as a result of the increase in our total revenue; and (iv) stock exchanges management fees, as a result of the increase in our trading volume.

Provision for impairment losses

The following table summarizes our provision for impairment losses for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Available-for-sale financial assets	50.7	561.8	517.8	742.1
Financial assets held under resale agreements	104.9	113.1	38.2	152.5
Other non-current assets	3.3	83.6	0.0	8.3
Accounts receivable	—	4.7	3.8	0.3
Margin accounts receivable	247.8	6.6	194.4	(87.8)
Investment in joint ventures	2.0	—	—	—
Total	**408.7**	**769.9**	**754.2**	**815.4**

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our provision for impairment losses increased by 8.1% to RMB815.4 million in the nine months ended September 30, 2016, from RMB754.2 million in the same period in 2015, primarily due to the increases in provision for impairment losses from (i) available-for-sale financial assets, reflecting the volatility and increased credit risk in the A share stock market; and (ii) financial assets held under resale agreements, reflecting the increase in the amount of financial assets held under resale agreements, particularly the outstanding balance of stock-pledged financing, partially offset by the reversal of provision for impairment losses from margin accounts receivable of RMB87.8 million in the nine months ended September 30, 2016, compared with provision for impairment losses from margin accounts receivable of RMB194.4 million in the same period in 2015, primarily due to the decrease in the balance of margin accounts receivables.

Comparisons between 2015 and 2014

Our provision for impairment losses increased by 88.4% to RMB769.9 million in 2015, from RMB408.7 million in the same period in 2014, primarily due to the increase in provision for impairment losses from available-for-sale financial assets, reflecting the increase in the provision as a result of the volatility in the A share stock market in the second half of 2015, partially offset by the decrease in provision for impairment losses from margin accounts receivable.

Operating profit

Comparisons between nine months ended September 30, 2016 and September 30, 2015

As a result of the foregoing, our operating profit decreased by 31.1% to RMB11,664.7 million in the nine months ended September 30, 2016, from RMB16,930.6 million in the same period in 2015.

Comparisons between 2015 and 2014

As a result of the foregoing, our operating profit increased by 132.5% to RMB22,033.8 million in 2015, from RMB9,476.2 million in 2014.

Share of profits of associates and joint ventures

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our share of profits of associates and joint ventures increased by 451.4% from RMB9.6 million in the nine months ended September 30, 2015 to RMB53.2 million in the same period in 2016, primarily due to the increase in the equity investment return obtained by Guotai Junan Innovation Investment.

Comparisons between 2015 and 2014

Our share of profits of associates and joint ventures increased by 4,239.7% to RMB17.3 million in 2015, from RMB0.4 million in 2014, primarily due to the increase in the equity investment return obtained by Guotai Junan Innovation Investment.

Profit before income tax

Comparisons between nine months ended September 30, 2016 and September 30, 2015

As a result of the foregoing, our profit before income tax decreased by 30.8% to RMB11,717.8 million in the nine months ended September 30, 2016, from RMB16,940.2 million in the same period in 2015.

Comparisons between 2015 and 2014

As a result of the foregoing, our profit before income tax increased by 132.7% to RMB22,051.1 million in 2015, from RMB9,476.6 million in 2014.

Income tax expenses

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our income tax expenses decreased by 35.4% to RMB2,684.7 million in the nine months ended September 30, 2016, from RMB4,152.8 million in the same period in 2015, primarily due to the decrease in our taxable income in the nine months ended September 30, 2016. Our effective income tax rate decreased to 22.9% in the nine months ended September 30, 2016, from 24.5% in the same period in 2015.

Comparisons between 2015 and 2014

Our income tax expenses increased by 132.4% to RMB5,356.3 million in 2015, from RMB2,305.0 million in 2014, primarily due to the increase in our taxable income in 2015. Our effective income tax rate remained 24.3% in 2014 and 2015.

Profit and profit margins

The following table sets forth certain key indicators of our profitability for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions, except for percentages)			
Operating profit[(1)]	9,476.2	22,033.8	16,930.6	11,664.7
Operating margin[(2)]	38.8%	42.3%	42.1%	41.8%
Adjusted operating margin[(3)(4)]	52.1%	58.1%	57.6%	56.3%
Profit for the year/period	7,171.6	16,694.8	12,787.5	9,033.1
Net margin[(5)]	29.4%	32.0%	31.8%	32.4%
Adjusted net margin[(4)(6)]	39.4%	44.0%	43.5%	43.6%

(1) Operating profit = total revenue and other income - total expenses.

(2) Operating margin = operating profit/total revenue and other income.

(3) Adjusted operating margin = operating profit/(total revenue and other income - fee and commission expenses and interest expenses).

(4) Adjusted operating margin and adjusted net margin provide a meaningful indicator of results of operations that is more comparable to other A share listed securities companies.

(5) Net margin = profit for the year or period/total revenue and other income.

(6) Adjusted net margin = profit for the year or period/(total revenue and other income - fee and commission expenses and interest expenses).

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Our operating profit decreased by 31.1% to RMB11,664.7 million in the nine months ended September 30, 2016, from RMB16,930.6 million in the same period in 2015; and our profit for the period decreased by 29.4% to RMB9,033.1 million in the nine months ended September 30, 2016, from RMB12,787.5 million in the same period in 2015, primarily due to the significant decreases in the operating profit from our retail brokerage business, margin financing and securities lending business and investment and trading business, reflecting the highly volatile market conditions.

Our operating margin, adjusted operating margin, net margin and adjusted net margin remained relatively stable in the nine months ended September 30, 2016, compared with the same period in 2015.

Comparisons between 2015 and 2014

Our operating profit increased by 132.5% to RMB22,033.8 million in 2015, from RMB9,476.2 million in 2014; and our profit for the period increased by 132.8% to RMB16,694.8 million in 2015, from RMB7,171.6 million in 2014, primarily due to the significant increase in the operating profit from our retail brokerage business.

Our operating margin, adjusted operating margin, net margin and adjusted net margin increased from 2014 to 2015, primarily due to the increased margin for institutional finance, personal finance and investment management segments, reflecting favorable market conditions in the first half of 2015.

SUMMARY SEGMENT RESULTS

We have four principal business segments: (i) institutional finance, (ii) personal finance, (iii) investment management, and (iv) international business. The following table sets forth our segment total revenue and other income, segment expenses, segment profit/(loss) before income tax and segment margin (which is calculated as the segment profit/(loss) before income tax divided by the segment total revenue and other income) of each segment for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions, except for percentages)			
Institutional finance				
Segment total revenue and other income	9,247.5	16,061.6	11,637.9	8,987.6
Segment expenses	4,798.2	7,958.1	5,997.9	6,452.5
Segment profit before income tax	4,449.4	8,103.5	5,640.0	2,535.1
Segment margin	48.1%	50.5%	48.5%	28.2%
Personal finance				
Segment total revenue and other income	12,023.1	31,122.4	24,965.4	11,564.3
Segment expenses	7,782.9	18,602.4	14,855.1	7,582.1
Segment profit before income tax	4,240.2	12,520.0	10,110.4	3,982.2
Segment margin	35.3%	40.2%	40.5%	34.4%
Investment management				
Segment total revenue and other income	1,450.3	2,610.8	1,896.0	5,037.2
Segment expenses	817.3	1,288.5	899.7	704.8
Segment profit before income tax	633.4	1,339.6	1,005.9	4,385.6
Segment margin	43.7%	51.3%	53.1%	87.1%
International business				
Segment total revenue and other income	1,384.6	2,003.8	1,470.7	1,698.7
Segment expenses	668.5	1,166.1	859.6	911.2
Segment profit before income tax	716.1	837.7	611.2	787.5
Segment margin	51.7%	41.8%	41.6%	46.4%
Others				
Segment total revenue and other income	297.6	310.1	270.5	624.5
Segment expenses	860.1	1,059.8	697.7	597.1
Segment profit/(loss) before income tax	(562.5)	(749.7)	(427.2)	27.4
Segment margin	(189.0%)	(241.7%)	(157.9%)	4.4%

Institutional finance

Our institutional finance business includes investment banking business and institutional investor services business.

Investment banking business

Segment revenue from our investment banking business primarily consists of underwriting and sponsorship fees and financial advisory fees. Segment expenses from our investment banking business primarily consist of staff costs and other operating expenses.

The following table sets forth certain financial data concerning our investment banking business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions, except for percentages)			
Segment total revenue and other income	1,488.6	3,002.1	1,616.3	2,377.6
Fee and commission income	1,486.4	2,997.1	1,612.4	2,377.4
Interest income	2.2	5.0	3.8	0.2
Segment expenses	936.0	1,433.9	881.8	1,280.7
Segment profit before income tax	552.6	1,568.2	734.4	1,096.9
Segment margin	37.1%	52.2%	45.4%	46.1%

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Segment profit before income tax of our investment banking business increased by 49.4% to RMB1,096.9 million in the nine months ended September 30, 2016, from RMB734.4 million in the same period in 2015, primarily due to the combination of the following reasons:

- the 47.1% increase in the segment total revenue and other income, which was primarily due to the increase in the fee and commission income as a result of the increase in the number and amount of debt securities underwritten by us; and

- the 45.2% increase in the segment expenses, which was primarily due to the increase in staff costs and fee and commission expenses as a result of the growth of our underwriting business.

Therefore, segment margin of our investment banking business increased to 46.1% in the nine months ended September 30, 2016, from 45.4% in the same period in 2015.

Comparisons between 2015 and 2014

Segment profit before income tax of our investment banking business increased by 183.8 % to RMB1,568.2 million in 2015, from RMB552.6 million in 2014, primarily due to the following reasons:

- the 101.7% increase in segment total revenue and other income, which was primarily due to the increase in the fee and commission income as a result of the increase in the number and amount of debt securities underwritten by us and M&A transactions where we provided financial advisory services; and

- the 53.2% increase in the segment expenses, which was primarily due to the increase in staff costs and fee and commission expenses as a result of the growth of our underwriting business.

Segment margin of our investment banking business increased to 52.2% in 2015, from 37.1% in 2014, which was primarily due to the increase in the income is higher than the increase in the expenses as a result of economies of scale.

Institutional investor services

Segment total revenue and other income from our institutional investor services business primarily consist of (i) net investment gains and interest income from our proprietary trading and market-making activities (ii) interest income from our stock-pledged financing business, and (iii) fee and commission income from providing investment research and prime brokerage services to institutional clients. Segment expenses from our institutional investor services business primarily consist of interest expenses and staff costs.

The following table sets forth selected information concerning our institutional investor services business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions, except for percentages)			
Segment total revenue and other income	7,758.9	13,059.5	10,021.6	6,610.0
Fee and commission income	403.6	1,089.1	867.1	606.3
Interest income	1,459.1	3,341.9	2,470.9	2,717.1
Net investment gains	5,890.5	8,610.3	6,672.0	3,153.3
Other income and gains	5.7	18.3	11.5	133.3
Segment expenses	3,862.2	6,524.2	5,116.1	5,171.8
Segment profit before income tax	3,896.8	6,535.3	4,905.5	1,438.2
Segment margin	50.2%	50.0%	48.9%	21.8%

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Segment profit before income tax of our institutional investor services business decreased by 70.7% to RMB1,438.2 million in the nine months ended September 30, 2016, from RMB4,905.5 million in the same period in 2015, primarily due to the following reasons:

- the 52.7% decrease in the net investment gains, which was primarily due to the decrease in investment returns from our sales and trading business, reflecting the unfavorable A share stock market performance.

Therefore, segment margin of our institutional investor services business decreased to 21.8% in the nine months ended September 30, 2016, from 48.9% in the same period in 2015.

Comparisons between 2015 and 2014

Segment profit before income tax of our institutional investor services business increased by 67.7% to RMB6,535.3 million in 2015, from RMB3,896.8 million in 2014, primarily due to the following reasons:

- the 46.2% increase in the net investment gains, which was primarily due to the increase in the returns from our proprietary trading activities, driven by the strong performance of the A share stock market in the first half of 2015;

- the 129.0% increase in the interest income, which was primarily due to the growth in our stock-pledged financing business; and

- the 68.9% increase in the segment expenses, which was primarily due to the increases in the staff costs, the interest expenses, and other operating expenses.

Segment margins of our institutional investor services business remained relatively stable at 50.0% in 2015 and 50.2% in 2014.

Personal finance

Segment total revenue and other income from our personal finance business primarily consist of commission income from securities and futures brokerage activities, and interest income from our margin financing and securities lending services, and the cash held on behalf of brokerage customers. Segment expenses primarily consist of fee and commission expenses from securities and futures brokerage, interest expenses of the accounts payable to brokerage customers and staff costs.

The following table sets forth selected information concerning our personal finance business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions, except for percentages)			
Segment total revenue and other income	12,023.1	31,122.4	24,965.4	11,564.3
Fee and commission income	7,249.2	19,985.0	16,116.7	6,192.9
Interest income	4,764.4	11,128.9	8,841.1	5,356.5
Other income and gains	9.4	8.5	7.6	14.9
Segment expenses	7,782.9	18,602.4	14,855.1	7,582.1
Segment profit before income tax	4,240.2	12,520.0	10,110.4	3,982.2
Segment margin	35.3%	40.2%	40.5%	34.4%

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Segment profit before income tax of our personal finance business decreased by 60.6% to RMB3,982.2 million in the nine months ended September 30, 2016, from RMB10,110.4 million in the same period in 2015, primarily due to the following:

- the 61.6% decrease in the fee and commission income, which was primarily due to the decrease in the income from our retail brokerage business as a result of unfavorable A share stock market conditions; and

- the 49.0% decrease in the segment expenses, which was primarily due to the decrease in the fee and commission expenses as a result of the decrease in our stocks and funds brokerage trading volume.

Therefore, segment margin of our personal finance business decreased to 34.4% in the nine months ended September 30, 2016, from 40.5% in the same period in 2015.

Comparisons between 2015 and 2014

Segment profit before income tax of our personal finance business increased by 195.3% to RMB12,520.0 million in 2015, from RMB4,240.2 million in 2014, primarily due to the following reasons:

- the 175.7% increase in the fee and commission income, which was primarily due to the increase in our stocks and funds brokerage trading volume in China by 226.6% to RMB29,096.3 billion in 2015, from RMB8,910.1 billion from 2014, reflecting the active trading activities in the A share market in 2015;

- the 133.6% increase in the interest income, which was primarily due to the increase in the average balance of margin financing and securities lending provided by us, reflecting the strong trading activities in the A share market in 2015; and

- the 139.0% increase in the segment expenses, which was primarily due to the increases in (i) fee and commission expenses from securities and futures brokerage, (ii) interest expenses paid to our clients and (iii) staff costs, which were in line with the increase in the revenue from this segment and the increase in the number of employees.

Therefore, segment margin of our personal finance business increased to 40.2% in 2015, from 35.3% in 2014.

Investment management

Segment total revenue and other income from our investment management primarily consist of revenue from our asset management business and investment gains from Guotai Junan Asset Management, Guotai Junan Innovation Investment and GTJA Allianz Funds. Segment expenses primarily consist of staff costs and other operating expenses.

The following table sets forth selected information concerning our investment management for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions, except for percentages)			
Segment total revenue and other income	1,450.3	2,610.8	1,896.0	5,037.2
Fee and commission income	1,100.0	2,159.1	1,575.4	1,853.9
Interest income	32.3	28.3	22.2	25.8
Net investment gains	287.8	394.4	280.9	231.1
Other income and gains	30.2	29.0	17.5	2,926.4
Segment expenses	817.3	1,288.5	899.7	704.8
Segment profit before income tax	633.4	1,339.6	1,005.9	4,385.6
Segment margin	43.7%	51.3%	53.1%	87.1%

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Segment profit before income tax of our investment management business increased by 336.0% to RMB4,385.6 million in the nine months ended September 30, 2016, from RMB1,005.9 million in the same period in 2015, primarily due to the following reasons:

- the significant increase in the other income and gains, which was primarily due to the relevant gains realized on the disposal of Haiji Securities by Shanghai Securities of RMB2,835.3 million.

Therefore, segment margin of our investment management business increased to 87.1% in the nine months ended September 30, 2016, from 53.1% in the same period in 2015.

Comparisons between 2015 and 2014

Segment profit before income tax of our investment management increased by 111.5% to RMB1,339.6 million in 2015, from RMB633.4 million in 2014, primarily due to the following reasons:

- the 96.3% increase in the fee and commission income, which was primarily due to (i) the increase in the total AUM of Guotai Junan Asset Management by 18.4% to RMB608,584.4 million as of December 31, 2015, from RMB513,965.9 million as of December 31, 2014; and (ii) the significant increase in our performance fees, reflecting the enhanced performance of our asset management schemes under our active management; and

- the 57.6% increase in the segment expenses was primarily due to the increases in our staff costs and other operating expenses from our asset management business, which were consistent with the increases in our segment total revenue and other income.

Therefore, segment margins of our investment management increased to 51.3% in 2015 from 43.7% in 2014.

International business

Segment total revenue and other income from our international business primarily consist of revenue from Guotai Junan International Holdings Limited. Segment expenses primarily consist of staff cost and other operating expenses.

The following table sets forth selected information concerning our international business for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions, except for percentages)			
Segment total revenue and other income	1,384.6	2,003.8	1,470.7	1,698.7
Fee and commission income	692.9	895.1	678.1	546.9
Interest income	604.5	929.7	665.1	797.9
Net investment gains	100.6	242.4	146.2	352.6
Other income and gains/(losses)	(13.3)	(63.4)	(18.7)	1.3
Segment expenses	668.5	1,166.1	859.6	911.2
Segment profit before income tax	716.1	837.7	611.2	787.5
Segment margin	51.7%	41.8%	41.6%	46.4%

Comparisons between nine months ended September 30, 2016 and September 30, 2015

Segment profit before income tax of our international business increased by 28.8% to RMB787.5 million in the nine months ended September 30, 2016, from RMB611.2 million in the same period in 2015, primarily due to the following reasons:

- the significant increase in the net investment gains, which was primarily due to the increase in our investment gains from financial products, market making and investment business in Hong Kong; and

- the 19.3% decrease in the fee and commission income, which was primarily due to the decrease in our clients' brokerage activities in Hong Kong, reflecting the highly volatile market conditions.

Therefore, segment margin of our international business increased to 46.4% in the nine months ended September 30, 2016, from 41.6% in the same period in 2015.

Comparisons between 2015 and 2014

Segment profit before income tax of our international business increased by 17.0% to RMB837.7 million in 2015, from RMB716.1 million in 2014, primarily due to the following reasons:

- the 53.8% increase in the interest income, which was primarily due to the growth of our margin business provided by us in Hong Kong;

- the 141.1% increase in the net investment gains, which was primarily due to the increases in the net investment gains from financial products, market making and investment business provided by us in Hong Kong;

- the 29.2% increase in the fee and commission income, which was primarily due to the increase in our clients' brokerage activities in Hong Kong; and

- the 74.4% increase in the segment expenses, which was primarily due to the increases in our staff costs and increases in interest expenses from financing activities in Hong Kong, including bank borrowings, and bonds issued.

Therefore, segment margin of our international business decreased to 41.8% in 2015, from 51.7% in the same period in 2014.

Others

Segment total revenue and other income from others primarily consist of government grant. Segment expenses primarily consist of our management and operation costs.

The following table sets forth selected information concerning others for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
	(RMB in millions, except for percentages)			
Segment total revenue and other income	297.6	310.1	270.5	624.5
Fee and commission income	2.1	2.2	0.9	—
Interest income	0.0	0.0	0.0	0.0
Other income and gains	295.5	307.9	269.6	624.4
Segment expenses	860.1	1,059.8	697.7	597.1
Segment profit/(loss) before income tax	(562.5)	(749.7)	(427.2)	27.4
Segment margin	(189.0%)	(241.7%)	(157.9%)	4.4%

Comparisons between nine months ended September 30, 2016 and September 30, 2015

For the nine months ended September 30, 2015, segment loss before income tax from others was RMB427.2 million, while the segment profit before income tax was RMB27.4 million for the same period of 2016, primarily due to the increase in the government grants.

Comparisons between 2015 and 2014

Segment loss before income tax of others increased by 33.3% from RMB562.5 million in 2014 to RMB749.7 million, primarily due to the increase in our management and operation costs.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We funded our working capital and other capital requirements from cash generated from our business operations. In addition, we rely on multiple money-markets and capital-markets financing channels. See "*—Indebtedness.*" We also completed our IPO and listing on the Shanghai Stock Exchange in June 2015, raising net proceeds of RMB29,663.3 million.

As of September 30, 2016, we had cash and cash equivalents of RMB22,401.6 million.

When determining the amount of capital and other resources to be allocated to each business line, we mainly take into account our growth strategy and business focus, the capital requirements and estimated return for each business and applicable regulatory requirements, such as requirements in relation to capital adequacy, liquidity and risk management.

Taking into account the financial resources available to us, including cash and bank balances, repurchase transactions, and proceeds from short-term debt instruments, placements from other financial institutions, long-term bonds and bank loans, our Directors believe that we have sufficient working capital for our present requirements, that is at least 12 months from the date of this document.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2014	2015	2015	2016
			(unaudited)	
	(RMB in millions)			
Net cash generated from/(used in) operating activities	4,275.0	(19,601.9)	10,278.1	(12,624.4)
Net cash used in investing activities	(7,434.5)	(22,851.5)	(23,125.9)	(2,320.8)
Net cash generated from/(used in) financing activities	27,948.8	51,946.8	53,405.2	(4,940.8)
Net increase/(decrease) in cash and cash equivalents	**24,789.4**	**9,493.4**	**40,557.5**	**(19,886.0)**
Cash and cash equivalents at the beginning of the year/period	7,701.1	32,533.4	32,533.4	42,163.3
Effect of foreign exchange rate changes	42.9	136.6	100.8	124.3
Cash and cash equivalents at the end of the year/period	**32,533.4**	**42,163.3**	**73,191.7**	**22,401.6**

Operating activities

Our cash from operating activities consists primarily of our fee and commission income, interest income and a substantial portion of our investment gains. Cash flow from operating activities reflects: (i) profit before income tax adjusted for non-cash and non-operating items, such as depreciation and amortization; (ii) the effects of movements in working capital, such as increase in cash held on behalf of brokerage customers and accounts payable to brokerage customers; and (iii) other cash items such as income tax paid.

Despite our net cash used in operating activities during the Track Record Period, we believe that we have strong ability to generate cash flow from operating activities. In 2014, 2015 and nine months ended September 30, 2015 and 2016, our operating cash flow before movements in working capital was RMB10,186.0 million, RMB29,325.0 million, RMB23,312.7 million and RMB14,480.7 million, respectively.

In the nine months ended September 30, 2016, we had net cash used in operating activities of RMB12,624.4 million, resulting from negative movements in working capital. Our negative movements in working capital primarily reflected (i) the decrease of RMB35,117.4 million in accounts payable to brokerage customers, primarily due to our clients' decreased brokerage activities; (ii) the decrease of RMB33,841.9 million in financial assets sold under repurchase agreements, primarily due to decreased outstanding balance of repurchases with bonds and margin financing and securities lending receivables as underlying assets; and (iii) the increase of RMB19,631.9 million in financial assets held under resale agreements, primarily due to increase in our repurchase transactions and stock-pledged financing. These cash outflows were partially offset by (i) a decrease of RMB40,849.1 million in cash held on behalf of brokerage customers, primarily due to our clients' decreased brokerage activities; (ii) a decrease of RMB21,403.8 million in financial instruments at fair value through profit or loss and derivative financial instruments, primarily due to our decreased investments in this type of financial instruments; and (iii) our profit before income tax of RMB11,717.8 million.

In the nine months ended September 30, 2015, we had net cash generated from operating activities of RMB10,278.1 million, resulting from our profit before income tax of RMB16,940.2 million and movements in working capital, which primarily reflected (i) the increase of RMB70,895.4 million in accounts payable to brokerage customers, primarily due to our clients' increased brokerage activities; (ii) the increase of RMB16,023.3 million in financial assets sold under repurchase agreements, primarily due to increased outstanding balance of repurchase with bonds as underlying assets; and (iii) the decrease of RMB12,375.3 million in margin accounts receivable, primarily due to decreased size of margin financing and securities lending business. These cash inflows were partially offset by (i) the increase of RMB66,408.1 million in cash held on behalf of brokerage customers, primarily due to our clients' increased brokerage activities; and (ii) the increase of RMB29,399.7 million in financial instruments at fair value through profit or loss and derivative financial instruments, primarily due to our increased investment in this type of financial instruments.

In 2015, we had net cash used in operating activities of RMB19,601.9 million, resulting from negative movements in working capital. Our negative movements in working capital, primarily reflected (i) the increase of RMB47,610.9 million in cash held on behalf of brokerage customers, primarily due to our clients' increased securities brokerage activities; (ii) the increase of RMB33,304.1 million in financial instruments at fair value through profit or loss and derivative financial instruments, primarily due to the increase in the size of our investment; (iii) the increase of RMB9,838.2 million in financial assets held under resale agreements, primarily due to the increase in our stock-pledged financing; (iv) the increase of RMB6,246.6 million in margin accounts receivable, primarily due to the increased financing demand from customers. These cash outflows were partially offset by the (i) increase of RMB47,603.2 million in accounts payable to brokerage customers, primarily due to our clients' increased brokerage activities; and (ii) our profit before income tax of RMB22,051.1 million.

In 2014, we had net cash generated from operating activities of RMB4,275.0 million, resulting from our profit before income tax of RMB9,476.6 million and movements in working capital, primarily reflected (i) the increase of RMB50,833.9 million in accounts payable to brokerage customers, primarily due to our clients' increased brokerage activities; and (ii) the increase of RMB44,013.4 million in financial assets sold under repurchase agreements, primarily due to the increased amount of repurchase with margin financing and securities lending receivables as underlying assets. These cash inflows were partially offset by (i) the increase of RMB45,188.8 million in cash held on behalf brokerage customers, primarily due to our clients' increased brokerage activities; and (ii) the increase of RMB44,929.3 million in margin accounts receivable, primarily due to increased size of margin financing and securities lending business.

Investing activities

Our cash outflows from investing activities consist primarily of acquisition of subsidiaries, purchases of property and equipment, other intangible assets and other non-current assets, and purchase of available-for-sale financial assets and other investments. Our cash inflows from investing activities consist primarily of proceeds from the disposal of property and equipment, other intangible assets and other non-current assets, disposal of available-for-sale financial assets and dividends and interest received from available-for-sale financial assets and other investments.

In the nine months ended September 30, 2016, our net cash used in investing activities was RMB2,320.8 million, primarily due to the purchases of available-for-sale financial assets and other investments of RMB37,564.5 million, partially offset by our proceeds from disposal of available-for-sale financial assets and other investments of RMB35,131.5 million, reflecting our increased investments in this type of financial assets.

In the nine months ended September 30, 2015, our net cash used in investing activities was RMB23,125.9 million, primarily due to the purchases of available-for-sale financial assets and other investments of RMB68,636.3 million, partially offset by our proceeds from disposal of available-for-sale financial assets and other investments of RMB47,618.0 million, reflecting our increased investments in this type of financial assets.

In 2015, our net cash used in investing activities was RMB22,851.5 million, primarily due to purchases of available-for-sale financial assets and other investments of RMB78,292.1 million, partially offset by our proceeds from disposal of available-for-sale financial assets and other investments of RMB54,478.0 million, which reflects our increased investment in this type of financial assets.

In 2014, our net cash used in investing activities was RMB7,434.5 million, primarily due to purchases of available-for-sale financial assets and other investments of RMB36,270.4 million, partially offset by our proceeds from disposal of available-for-sale financial assets and other investments of RMB29,257.1 million, which reflects our increased investment in this type of financial assets.

Financing activities

Financing activities primarily include issuance of short-term debt instruments, long-term bonds, loans and borrowings for our working capital needs, payment of the principal and interests on our debt and dividends.

In the nine months ended September 30, 2016, our net cash used in financing activities was RMB4,940.8 million, primarily due to (i) our repayment of loans and borrowings of RMB37,453.6 million; and (ii) our repayment of debt securities issued of RMB34,357.2 million. These cash outflows were partially offset by (i) proceeds from loans and borrowings of RMB27,068.7 million, (ii) proceeds from issuance of short-term debt instruments of RMB22,763.5 million, and (iii) proceeds from bond issuance of RMB22,100.8 million.

In the nine months ended September 30, 2015, our net cash generated from financing activities was RMB53,405.2 million, primarily due to (i) proceeds from loans and borrowings of RMB50,340.0 million, (ii) proceeds from issuance of short-term debt instruments of RMB33,422.3 million, (iii) net proceeds from issuance of A shares of RMB29,663.3 million, and (iv) proceeds from issuance of bonds and perpetual bonds of RMB35,098.9 million. These cash inflows were partially offset by (i) our repayment of debt securities issued of RMB47,811.2 million, and (ii) our repayment of loans and borrowings of RMB44,505.5 million.

In 2015, our net cash generated from financing activities was RMB51,946.8 million, primarily due to (i) proceeds from loans and borrowings of RMB65,073.5 million, (ii) proceeds from issuance of short-term debt instruments of RMB36,557.8 million, (iii) proceeds from issuance of bonds and perpetual bonds of RMB41,286.1 million, and (iv) net proceeds from issuance of A shares of RMB29,663.3 million. These cash inflows were partially offset by (i) our repayment of loans and borrowings of RMB59,911.3 million, and (ii) our repayment of debt securities issued of RMB56,548.7 million.

In 2014, our net cash generated from financing activities was RMB27,948.8 million, primarily due to (i) proceeds from loans and borrowings of RMB56,578.9 million, (ii) proceeds from issuance of short-term debt instruments of RMB42,126.8 million, and (iii) proceeds from bond issuance of RMB20,543.1 million. These cash inflows were partially offset by (i) our repayment of loans and borrowings of RMB54,876.2 million, and (ii) our repayment of debt securities issued of RMB35,113.5 million.

Assets and Liabilities

In order to ensure appropriate liquidity management and capital allocation, we dynamically manage the size and structure of our balance sheet and seek to maintain its liquidity. The major portion of our balance sheet consists of current assets and current liabilities, due to the highly liquid nature of our business.

Current assets and liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,		As of September 30,	As of November 30,
	2014	2015	2016	2016
				(unaudited)
	(RMB in millions)			
Current assets				
Accounts receivable	1,188.3	2,176.5	1,726.5	1,749.6
Other receivables and prepayments	6,013.8	6,265.4	5,705.5	5,657.4
Margin accounts receivables	76,031.5	82,271.5	64,309.1	73,306.8
Available-for-sale financial assets	1,218.8	517.7	348.9	407.0
Financial assets held under resale agreements	29,177.7	34,762.5	35,356.9	44,416.1
Financial assets at fair value through profit or loss	56,247.2	90,910.4	76,604.4	77,947.9
Derivative financial assets	1.4	182.4	157.9	51.3
Clearing settlement funds	1,572.4	1,311.5	1,832.8	2,587.8
Cash held on behalf of brokerage customers	95,643.9	146,294.8	107,182.4	119,171.8
Cash and bank balances	18,599.2	30,058.9	16,880.8	12,654.9
Total current assets	**285,694.3**	**394,751.6**	**310,105.2**	**337,950.6**

	As of December 31,		As of September 30,	As of November 30,
	2014	2015	2016	2016
				(unaudited)
	(RMB in millions)			
Current liabilities				
Loans and borrowings	4,104.0	5,492.0	7,380.9	5,944.2
Short-term debt instruments	17,168.4	2,319.5	7,824.1	11,891.3
Placements from other financial institutions	10,993.0	8,412.0	1,200.0	7,600.0
Accounts payable to brokerage customers	100,186.6	147,789.7	112,672.3	128,863.1
Employee benefits payable	3,468.0	6,779.5	6,236.6	6,707.8
Income tax payable	1,296.7	3,919.0	2,105.2	1,895.7
Financial assets sold under repurchase agreements	61,107.7	68,319.4	47,277.5	40,485.1
Financial liabilities at fair value through profit or loss	5,234.7	6,414.2	13,685.0	15,983.0
Derivative financial liabilities	196.0	133.1	202.7	229.6
Bonds payable	5,000.0	4,696.5	12,156.2	12,154.7
Other current liabilities	19,874.3	22,735.6	10,064.6	9,083.2
Total current liabilities	**228,629.3**	**277,010.5**	**220,805.1**	**240,837.8**
Net current assets	**57,065.0**	**117,741.1**	**89,300.1**	**97,112.7**

As of November 30, 2016, our net current assets increased by 8.7% to RMB97,112.7 million, from RMB89,300.1 million as of September 30, 2016, primarily due to the following reasons:

- The increase in our total current assets was primarily due to: (i) the increase in the financial assets held under resale agreements of RMB9,059.2 million, reflecting the increased size of our stock-pledged financing business as well as the reverse repurchase with bonds or precious metal as underlying assets; (ii) the increase in the margin accounts receivable of RMB8,997.7 million, reflecting the increased size of our margin financing and securities lending; and (iii) the increase in the cash held on behalf of brokerage customers of RMB11,989.4 million, reflecting our clients' increased brokerage activities; and

- The increase in our total current liabilities was primarily due to: (i) the increase of RMB16,190.8 million in the accounts payable to brokerage customers, reflecting our clients' increased brokerage activities; (ii) the increase in placements from other financial institutions of RMB6,400.0 million, which reflects our arrangement for and adjustment to liquidity based on market conditions.

As of September 30, 2016, our net current assets decreased by 24.2% to RMB89,300.1 million, from RMB117,741.1 million as of December 31, 2015, primarily due to the combination of the following reasons:

- The decrease in our total current asset primarily due to (i) the decrease of RMB39,112.4 million in cash held on behalf of brokerage customers, reflecting the decrease in our clients' brokerage activities as a result of the volatile A share market conditions, (ii) the decrease of RMB17,962.4 million in margin accounts receivables, reflecting the reduced size of our margin financing and securities lending, and (iii) the decrease of RMB14,306.0 million in financial assets at fair value through profit or loss, reflecting the reduced investment size of these financial assets, and

- The decrease in our total current liability primarily due to (i) the decrease of RMB35,117.4 million in accounts payable to brokerage customers, reflecting our clients' decreased brokerage activities as a result of the volatile A share market conditions, (ii) the decrease of RMB21,041.9 million in financial assets sold under repurchase agreements, reflecting the reduced size of the repurchase with bonds as underlying assets, and (iii) the decrease of RMB12,671.0 million in other current liabilities, mainly due to the decreased size of senior tranches of structured products.

As of December 31, 2015, our net current assets increased by 106.3% to RMB117,741.1 million, from RMB57,065.0 million as of December 31, 2014, primarily due to the following reasons:

- The increase in our total current assets was primarily due to (i) the increase of RMB50,650.9 million in cash held on behalf of brokerage customers, reflecting our clients' increased brokerage activities as a result of the volatile A share market conditions, and (ii) the increase of RMB34,663.2 million in financial assets at fair value through profit or loss, reflecting the increased investment size of these financial assets; and

- The increase in our total current liability was primarily due to (i) the increase of RMB47,603.2 million in accounts payable to brokerage customers, reflecting our clients' increased brokerage activities as a result of the volatile A share market conditions, and (ii) the increase of RMB7,211.7 million in financial assets sold under repurchase agreements, reflecting the increased size of repurchase with bonds as underlying assets.

Adjusted current assets and liabilities

In our statement of financial position, we record cash held on behalf of brokerage customers as current assets and we record accounts payable to brokerage customers as current liabilities. Such client deposit fluctuates based on our clients' trading activities, financial market conditions and other factors extrinsic to our business. As a result, although we earn interest income from it, such client deposit tends not to be a meaningful indicator of our financial condition or results of operations. We have therefore adjusted our assets and liabilities in the following table to exclude the effect of client deposit:

	As of December 31,		As of September 30,	As of November 30,
	2014	2015	2016	2016
	(RMB in millions, except for ratio)			
Adjusted current assets[(1)]	185,507.7	246,961.9	197,432.9	209,087.4
Adjusted current liabilities[(2)]	128,442.7	129,220.8	108,132.8	111,974.7
Adjusted net current assets[(3)]	57,065.0	117,741.1	89,300.1	97,112.7
Adjusted current ratio[(4)]	1.4 times	1.9 times	1.8 times	1.9 times

(1) Adjusted current assets equal to total current assets less accounts payable to brokerage customers.

(2) Adjusted current liabilities equal to total current liabilities less accounts payable to brokerage customers.

(3) Adjusted net current assets equal to adjusted current assets less adjusted current liabilities.

(4) Adjusted current ratio is calculated by dividing adjusted current assets by adjusted current liabilities.

None of adjusted current assets, adjusted current liabilities, adjusted net current assets or adjusted current ratio is a standard measure under IFRSs. However, we believe adjusted net current assets is a more meaningful indicator of our financial performance because it does not include the amount of deposits from brokerage customers, which, as discussed above, is largely unrelated to our financial performance but has a material effect on our statement of financial position. Prospective investors should be aware that the adjusted operating margin presented in this document may not be comparable with other similarly titled measures reported by other securities companies due to different calculation methods or assumptions.

Non-current assets and liabilities

The following table sets forth the components of non-current assets and liabilities as of the dates indicated:

	As of December 31,		As of September 30,
	2014	2015	2016
			(unaudited)
		(RMB in millions)	
Non-current assets			
Property and equipment[1]	3,148.3	3,420.7	3,494.0
Prepaid land lease payments	861.7	842.6	828.3
Goodwill	581.4	581.4	581.4
Other intangible assets[2]	1,304.4	1,351.1	1,373.9
Investments in associates[3]	342.2	373.7	638.7
Investments in joint ventures[4]	24.1	555.4	821.9
Available-for-sale financial assets[5]	15,536.4	39,403.6	38,361.0
Financial assets held under resale agreements[6]	3,072.5	4,769.2	17,800.7
Financial assets at fair value through profit or loss	463.0	101.7	157.5
Refundable deposits	6,649.7	6,515.7	9,872.8
Deferred tax assets	127.3	218.1	732.6
Other non-current assets	1,497.1	1,457.4	1,260.1
Total non-current assets	**33,608.2**	**59,590.7**	**75,922.9**
Non-current liabilities			
Loans and borrowings	781.0	4,577.6	100.0
Bonds payable	26,513.5	52,927.5	50,444.3
Employee benefits payable	—	614.5	631.8
Deferred tax liabilities	1,344.4	250.3	208.2
Financial assets sold under repurchase agreements	13,700.0	13,800.0	1,000.0
Financial liabilities at fair value through profit or loss	—	—	197.0
Other non-current liabilities	1,035.6	3,525.2	4,327.8
Total non-current liabilities	**43,374.5**	**75,695.1**	**56,909.2**

(1) Primarily include our office buildings.

(2) Primarily include securities and futures brokerage qualification.

(3) Primarily include our investments in Anhui Guozhen Group Co., Ltd. and Shenzhen GTJA Shenyi Phase I Investment Fund LLP.

(4) Primarily include our investments in Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP.

(5) Primarily include our investments in equity securities, debt securities, funds and other investments, including our contributions to designated accounts at China Securities Finance.

(6) Primarily refer to the balance for our securities-backed financing and other financial assets held under resale agreements.

As of September 30, 2016, our non-current assets increased by 27.4% to RMB75,922.9 million from RMB59,590.7 million as of December 31, 2015, primarily due to (i) the increase of RMB13,031.5 million in financial assets held under resale agreements, reflecting the increased size of our stock-pledged financing business, and (ii) the increase in refundable deposits of RMB3,357.1 million, reflecting the increase in futures margin.

As of September 30, 2016, our non-current liabilities decreased by 24.8% to RMB56,909.2 million from RMB75,695.1 million as of December 31, 2015, primarily due to (i) the decrease of RMB12,800.0 million in financial assets sold under repurchase agreements, reflecting the reduced repurchase with margin financing and securities lending receivables as underlying assets, (ii) the decrease of RMB4,477.6 million in loans and borrowings, reflecting decrease in loans and borrowings with a term of one year or above.

As of December 31, 2015, our non-current assets increased by 77.3% to RMB59,590.7 million from RMB33,608.2 million as of December 31, 2014, primarily due to the increase of RMB23,867.1 million in available-for-sale financial assets, as a result of our contribution of RMB17,014.0 million to the designated accounts of China Securities Finance.

As of December 31, 2015, our non-current liabilities increased by 74.5% to RMB75,695.1 million from RMB43,374.5 million as of December 31, 2014, primarily due to (i) the increase of RMB26,413.9 million in bonds payable to supplement our working capital, and (ii) the increase of RMB3,796.6 million in loans and borrowings to support our business development, and (iii) the increase of RMB2,489.6 million in other current liabilities, mainly due to the increase of RMB2,469.2 million in payables to priority tranche holders of structured entities, partially offset by the decrease of RMB1,094.1 million in deferred tax liability.

INDEBTEDNESS

As of November 30, 2016, our total indebtedness amounted to RMB100,110.9 million, including RMB7,908.9 million of loans and borrowings, RMB7,600.0 million of placements from other financial institutions, RMB11,891.3 million of short-term debt instruments and RMB72,710.7 million of bonds payable.

Loans and borrowings

As of November 30, 2016, our loans and borrowings were RMB7,908.9 million which primarily comprised bank borrowings by Guotai Junan Financial Holdings and its subsidiaries. Among such amount, our current unsecured loans and borrowings were RMB5,944.2 million with the interest rates ranging from 1.4% to 4.7%; our non-current unsecured loans and borrowings were RMB1,964.7 million with the interest rates ranging from 2.3% to 4.8%. As of November 30, 2016, the unutilized loans and borrowings commitments of Guotai Junan Financial Holdings and its subsidiaries were RMB8,279.0 million.

Placements from other financial institutions

We have access to borrowings through the interbank market and China Securities Finance, which we refer to as placements from other financial institutions. As of November 30, 2016, the balance of our placements from other financial institutions was RMB7,600.0 million.

We are a member of the interbank market in China and are able to obtain interbank borrowings to replenish our short-term liquidity. We generally pay interests on interbank borrowing based on the Shanghai Interbank Offered Rate which are unsecured and unguaranteed. As of November 30, 2016, the balance of our interbank borrowings was RMB3,400.0 million.

We obtain margin and securities refinancing from China Securities Finance which are used for our margin financing and securities lending business. As of November 30, 2016, the balance of financing we obtained from China Securities Finance was RMB4,200.0 million. According to the margin and securities refinancing agreement we entered into with China Securities Finance, we can borrow funds or securities of up to RMB11,800.0 million. As of November 30, our remaining loan facility for funds or securities was RMB7,600.0 million.

Short-term debt instruments

We manage our short-term liquidity by issuing short-term financing bills, structured notes and medium-term notes, terms of which are less than one year. As of November 30, 2016, the balance of our short-term debt instruments was RMB11,891.3 million.

The table below sets forth the coupon rates and carrying amounts of our aggregated short-term debt instruments as of November 30, 2016.

	Coupon rate	**Carrying amount**
	(percentage)	*(RMB in millions)*
Short-term financing bills payable	2.64-2.90	9,000.0
Structured notes	2.90-6.66	2,823.6
Medium-term notes	0.9	67.7

Short-term financing bills payable

Subject to the approval from the PBOC, we can issue short-term financing bills in the national interbank bond market on an ongoing basis. We use the net proceeds from our issuances of short-term financing bills to primarily finance our liquidity.

As of November 30, 2016, we had RMB9,000.0 million of short-term financing bills outstanding in the national interbank bond market. The interest rates of our short-term financing bills are determined through the bidding system of Interbank Market Clearing House Co., Ltd. We are the issuer rating of AAA and a short-term financing bills rating of A-1 rated by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.

Issuer	Par value	Issue date	Term	Coupon rate
	(RMB in millions)			
The Company.	3,000.0	September 2016	Within one year	2.64%
The Company.	4,000.0	October 2016	Within one year	2.75%
The Company	2,000.0	October 2016	Within one year	2.90%

Structured notes

As of November 30, 2016, the balance of our short-term structured notes was RMB2,823.6 million. The Company is the issuer of our structured notes, the terms of which are within one year from March 2016 to November 2016, with their coupon rate ranging between 2.90% and 6.66%.

Medium-term notes

As of November 30, 2016, our balance of medium-term notes was RMB67.7 million. Guotai Junan International is the issuer of our medium-term notes, the terms of which are within one year from September 2016, with a total par value of HK$76.2 million and coupon rate of 0.9%.

Bonds payable

In September 2015, at the general meeting, we were granted a mandate to issue the domestic debt financing instruments with the issuance size not exceeding 200% of the latest closing net assets of the Company, which were calculated based on outstanding balance after issuance (including the current outstanding issued debt financing instruments) and were subject to the compliance with the requirements of relevant laws and regulations on the issuance limit on the domestic debt financing instruments and the relevant requirements in relation to various risk control indicators. The domestic debt financing instruments to be issued based on the actual circumstances pursuant to the above mandate shall include, but not limited to, corporate bonds, structured notes, subordinated bonds, subordinated debts, and other domestic debt financing instruments that the Company may issue upon being approved by or filed with the CSRC, the SAC, stock exchange or other competent authorities according to relevant requirements. The resolution shall be valid within 36 months since the date on which it was approved at the general meeting, during which the issuance of any domestic debt financing instruments shall depend on our fund requirements and market conditions.

Subordinated Bonds

We may also issue debt securities in China that are subordinated to our other senior indebtedness, such as corporate bonds and bank loans, and only rank before our equity in case of liquidation. Issuing subordinated bonds can help replenish our Net Capital. As of November 30, 2016, the outstanding par value of our subordinated bonds was RMB40,958.0 million.

The table below sets forth the summary of our subordinated bonds as of November 30, 2016.

Issuer	Par value	Issue date	Term	Coupon rate
	(RMB in millions)			
The Company	3,000.0	July 2013	48 months	6.00%
The Company	3,000.0	September 2014	36 months	6.10%
The Company	5,000.0	December 2014	36 months	5.40%
The Company	10,000.0	April 2015	36 months	5.70%
The Company	5,000.0	July 2016	48 months	3.30%
The Company	4,000.0	October 2016	48 months	3.14%
The Company	3,000.0	November 2016	36 months	3.34%
The Company	3,000.0	November 2016	60 months	3.55%
Shanghai Securities	450.0	September 2014	36 months	4.80%
Shanghai Securities	908.0	September 2014	36 months	5.30%
Shanghai Securities	1,500.0	March 2015	36 months	6.00%
Shanghai Securities	2,100.0	April 2015	36 months	6.00%

Corporate bonds

Subject to the approval from the CSRC, we may issue corporate bonds to investors in China. During the Track Record Period, we issued four tranches of corporate bonds with an aggregate principal amount of RMB23,000.0 million which were all listed on the Shanghai Stock Exchange. We used the net proceeds from the issuance of corporate bonds primarily to replenish our working capital. As of November 30, 2016, the outstanding par value of our issued corporate bonds was RMB23,000.0 million. Moreover, in January 2011, we completed the issuance of private corporate bonds with par value of RMB3,000.0 million with a term of six years. These bonds shall be due for repayment in January 2017.

The table below sets forth the summary of our corporate bonds as of November 30, 2016.

Issuer	Par value	Issue date	Term	Coupon rate
	(RMB in millions)			
The Company	5,000.0	November 2015	60 months	3.60%
The Company	1,000.0	November 2015	84 months	3.80%
The Company	5,000.0	April 2016	60 months	2.97%
The Company	1,000.0	April 2016	84 months	3.25%
The Company	5,000.0	August 2016	60 months	2.90%
The Company	3,000.0	August 2016	60 months	3.14%
The Company	3,000.0	September 2016	60 months	2.94%
The Company	3,000.0	January 2011	72 months	5.50%

U.S. dollar-denominated debts

Guotai Junan Financial Holding Limited (BVI Co.), our subsidiary, issued US$500.0 million 5-year 3.63% credit enhanced bonds in 2014 ("U.S. dollar-denominated debts"), the carrying amount of which was RMB3,425.5 million as of November 30, 2016. We issue the U.S. dollar-denominated debts for the purpose of replenishing our working capital.

Bank of China Sydney branch provided a standby letter of credit guarantee for the payment of U.S. dollar-denominated debts. The Company issued a letter of counter guarantee to Bank of China Sydney branch in respect of the issuance of the above standby letter of credit guarantee in May 2014. The amount of counter guarantee covers the principal, interest and other relevant expenses of the first phase of overseas bond proposed to be issued. The guarantee is a joint liability guarantee, which will expire at the end of six months from the expiration date of the settlement of the above debts.

Medium-term notes

As of November 30, 2016, the par value of our medium-term notes was RMB100.0 million. We issue medium-term notes for the purpose of replenishing our working capital. The following table sets forth the summary of our medium-term notes as of November 30, 2016.

Issuer	Currency	Par value	Issue date	Term	Coupon rate
		(in million)			
Guotai Junan International	Renminbi	50.0	July 2015	24 months	4.10%
Guotai Junan International	Renminbi	50.0	July 2015	24 months	4.10%

Structured notes

We issue our structured notes through OTC counters and the Trader Quote Requests and Market Maker Quote Mechanisms (機構間私募產品報價與服務系統). As of November 30, 2016, the outstanding balance of our structured notes was RMB2,300.0 million, of which the outstanding par value of those issued by Shanghai Securities was RMB300.0 million.

Issuer	Par value	Issue date	Term	Coupon rate
	(RMB in millions)			
The Company	1,400.0	April 2015 to May 2015	24 months	5.75%-5.95%
The Company	600.0	April 2015 to October 2015	non-fixed term	5.65%-6.20%
Shanghai Securities	300.0	June 2015	24 months	6.30%

Convertible Bonds

On May 19, 2016, our shareholders approved the scheme of issuance of convertible bonds for replenishing our working capital. On December 12, 2016, our Directors confirmed that the issuance size is not more than RMB7.0 billion. On December 21, 2016, the Main Board Issuance Examination Committee of the CSRC has approved the issuance of the Convertible Bonds and as of the Latest Practicable Date, it is still pending final approval by the CSRC. The exact timing, size and terms of the issuance are still subject to market conditions, regulatory approvals and our working capital needs.

Our Directors have confirmed that there has not been any material change in our indebtedness since November 30, 2016 to the date of this document. As of the Latest Practicable Date, there was no material restrictive covenant in or any security against our indebtedness which could significantly limit our ability to obtain future financing. During the Track Record Period, there was no material default in our indebtedness or breaches of financial restrictive covenants as of the Latest Practicable Date.

Apart from the foregoing, we did not have, as of November 30, 2016, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees.

CAPITAL EXPENDITURES

Our capital expenditures comprise expenditures for construction in progress, property plant equipment, long-term deferred expenses and other intangible assets, which were mainly used for office buildings and equipment expenses. We funded these expenditures primarily with cash generated from our operations. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2014	2015	2016
		(RMB in millions)	
Property and equipment, other intangible assets and long-term deferred expenses	1,229.1	595.9	418.9

We estimated that our capital expenditures for 2017 would be approximately RMB1,000.0 million, which we will use primarily for our properties, establishment of our branch network and upgrades and improvements of our IT infrastructures. We expect to fund these capital expenditures with cash generated from our operations.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

As of November 30, 2016, we had the following two material capital commitments:

- In October 2013, we entered into an agreement with Shanghai Bund & Riverside Comprehensive Development Co., Ltd. to purchase a property to be developed by Shanghai Bund & Riverside Comprehensive Development Co., Ltd. The budget is RMB1.2 billion, including land cost, construction cost and allocated expenses, etc. As of December 31, 2014 and 2015, and as of September 30 and November 30, 2016, the accumulated amount paid by us was RMB572.3 million, RMB572.3 million, RMB572.3 million and RMB[572.3] million, respectively; and

- In June 2014, we commenced construction of our office building with a total budget of RMB1.6 billion, of which RMB748.0 million is development cost and RMB876.0 million is land cost. The project is expected to be completed in three years. As of December 31, 2014 and 2015, and as of September 30 and November 30, 2016, the accumulated amount paid by Shanghai Guoxiang Real Estate Co., Ltd. was RMB954.0 million, RMB1,042.0 million, RMB1,111.2 million and RMB1,120.2 million, respectively.

Operating lease commitments

We lease some of our office properties from third parties under non-cancellable operating leases. The following table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,		As of September 30,	As of November 30,
	2014	2015	2016	2016
	(RMB in millions)			
Within one year (inclusive)	286.3	449.6	485.8	480.9
One to two years (inclusive)	175.8	361.2	381.8	379.4
Two to three years (inclusive)	86.7	246.7	139.3	148.1
After three years	79.5	244.3	209.2	238.1
Total	**628.2**	**1,301.8**	**1,216.0**	**1,246.5**

CONTINGENT LIABILITIES

As of December 31, 2014 and 2015 and September 30 and November 30, 2016, our contingent liabilities due from pending litigation was RMB25.8 million, RMB32.5 million, RMB161.0 million and RMB179.3 million, respectively.

Our Directors confirm that there has been no material change in our contingent liabilities since November 30, 2016 to the date of this document.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. It is the view of our Directors that each of the related party transactions set out in note 59 to "*Appendix I — Accountants' Report*" was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet guarantees.

NET CAPITAL AND OTHER REGULATORY REQUIREMENTS

According to the Administrative Measures for the Risk Control Indicators of Securities Companies in the PRC, we have established a dynamic Net Capital monitoring mechanism to comply with statutory net capital requirements and other regulatory standards to maintain capital adequacy. The Administrative Measures was amended in June 2016 and became effective on October 1, 2016. In addition, we also need to maintain a minimum amount of Net Capital necessary to engage our securities brokerage, investment banking, trading and investment, asset management and margin financing and securities lending business. As of December 31, 2014 and 2015 and September 30, 2016, we were in compliance with all of our capital adequacy and risk control indicator requirements.

The following table sets forth the Company's Net Capital and key regulatory risk control indicators that the Company prepared in accordance with relevant regulatory requirements as of the dates indicated:

	December 31,		September 30,	Warning level[2]	Regulatory level
	2014	2015	2016		
Net Capital[1][3] *(RMB in billions)*	28.8	77.3	68.8	N/A	N/A
Net Capital/Total risk capital reserves[1][4]	747.4%	1,295.2%	1,017.8%	⩾120%	⩾100%
Net Capital/Net assets[1]	77.9%	88.4%	78.4%	⩾48%	⩾40%
Net Capital/Total liabilities[1][5]	20.9%	48.6%	55.0%	⩾9.6%	⩾8%
Net assets/Total liabilities[1][5]	26.8%	55.0%	70.2%	⩾24%	⩾20%
Value of equity securities and derivatives held/Net Capital[1]	65.0%	54.1%	57.2%	⩽80%	⩽100%
Value of fixed-income securities held/Net Capital[1]	137.0%	86.0%	60.2%	⩽400%	⩽500%

	December 31,		September 30,	Warning level[2]	Regulatory level
	2014	2015	2016		
Liquidity Coverage Ratio[6]	268.4%	253.4%	291.9%	⩾120%	⩾100%
Net Stable Funding Ratio[7]	129.3%	183.7%	139.3%	⩾120%	⩾100%

(1) Calculated pursuant to the Administrative Measures on Risk Control Indicators (風險控制指標管理辦法) as amended in June 2008.

(2) Warning levels are set by the CSRC as follows, according to the Administrative Measures on Risk Control Indicators: If the risk control indicator is required to stay above a certain level, then the warning level is 120% of the stipulated minimum level, and if the risk control indicator is required to stay below a certain level, then the warning level is 80% of the stipulated maximum level.

(3) Net Capital is measured by subtracting from net assets the risk adjustments required to be made to a securities company's financial assets, other assets and contingent liabilities, and further adding or subtracting any other adjustments determined or authorized by the CSRC.

(4) See "*Appendix V — Regulatory Environment — Regulatory Environment of the PRC — Corporate Governance and Risk Control — Corporate Governance and Risk Control of Securities Companies*" for an explanation of how total risk capital reserves are calculated.

(5) For purposes of calculating the risk control indicators, total liabilities do not include accounts payable to brokerage business customers.

(6) Calculated by dividing high quality liquid assets by total net cash outflows over the next 30 days. The calculation of liquidity coverage ratio is set by the Guidelines for the Management of Liquidity Risk of Securities Companies (證券公司流動性風險管理指引) issued by SAC effective on March 1, 2014. The high quality liquid assets refers to assets which can be readily converted into cash at small or no loss of value in the financial market under a stress scenario. The total net cash outflows over the next 30 days equals total expected cash outflows minus the total expected cash inflows for the subsequent 30 days. The Company's liquidity coverage ratio is unaudited.

(7) Calculated by dividing available amount of stable funding by required amount of stable funding. The calculation of net stable funding ratio is set by the Guidelines for the Management of Liquidity Risk of Securities Companies. The available amount of stable funding is defined as the equity and liabilities which provide stable sources of funds over a one-year period under a continued stress scenario. The required amount of stable funding is calculated as the sum of the value of assets or off-balance sheet exposures of a securities company, multiplied by the respective factors. The Company's net stable funding ratio is unaudited.

We closely monitor all risk control indicators when conducting our business, particularly the investment and trading business, as well as margin financing and securities lending business. In relation to all risk control indicators, we adopt an early warning and reporting mechanism in our risk management system that is more stringent than the regulatory warning levels to minimize compliance risk. We also conduct sensitivity analysis on these risk control indicators before we launch a new business or product, approve material capital expenditures, or distribute dividends. We conduct regular stress testing to forecast our risk control indicators when facing extreme market or business

environments. We typically have the options to replenish our Net Capital, adjust our operations or reduce our indebtedness to enhance our risk control indicators so as to maintain compliance with the regulatory requirements. During the Track Record Period, we have not had any non-compliance with these risk control indicators, nor have we received any warnings or penalties from the CSRC.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We have established policies and procedures to manage these risks, and continually monitor these risks by setting appropriate risk limits and internal control systems and through reliable management and information systems. See "*Risk Management*" for a summary. The main financial risks faced by us in the ordinary course of business are market risk, credit risk and liquidity risk. The following discussion of our main financial risks and the estimated amounts of our risk exposure generated by our risk measurement models are forward-looking statements. These analyses and the results of our risk measurement models are not, however, predictions of future events, and the actual results may be significantly different from the analyses and results of our risk measurement models due to the global economy or the markets where we operate, as well as other factors described below.

Market risk

Our market risks are the possibility of loss caused by the change or fluctuation in interest rates, exchange rates and market price of assets. According to different factors that lead to market risks, market risks can be classified into interest rate risk, exchange rate risk and financial asset price risk. Our businesses that are susceptible to market risks mainly include sales and trading and securities investment for liquidity management. The fair value of our securities and derivative financial instruments in these businesses will vary with the change in market price. We proactively manage our market risk through accurate measurement and assessment of market risk based on market trend and change in our portfolio.

In order to effectively manage market risks, we have adopted the following measures:

- implementing limit management for market risks, including business scale limits, risk limits and stop-loss limits;

- decomposing and analyzing the market risk factors of each business and product, and timely and accurately identifying the types and natures of market risks;

- selecting appropriate methods, reasonable assumptions and parameters for the measurement of different types of market risks; conducting sensitivity analysis, scenario analysis and stress tests; carrying out regular post-mortem examination to adjust and improve the market risk measurement methods and models;

- monitoring and reporting the changes in market risk; calculating the risk value of specific positions, portfolios or the overall investment of the Company by establishing a mark-to-market mechanism; and

- regularly preparing market risk reports covering risk position, risk value and limit implementation.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate based on changes in market interest rate. For details of interest rate risk, see "*Appendix I — Accountants' Report — Notes to the Financial Information — 61. Financial Risk Management — (4) Market Risk — (i) Interest rate risk.*"

Price risk

We adopt VaR as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

Sensitivity analysis

We conduct sensitivity analysis on interest rates to measure the impact of a reasonably possible change in interest rates on the net amount after tax of our net profit and other comprehensive income, assuming all other variables were held constant. Assuming a change in the overall market interest rate and without taking into account any possible risk management activities that may be taken by the management to reduce interest rate risks, our interest rate sensitivity analysis is as follows:

	December 31,			
	2014		2015	
	Increase by 30 bps	Decrease by 30 bps	Increase by 30 bps	Decrease by 30 bps
	(RMB in millions)			
Change in				
— net profit	(137.9)	142.6	(180.1)	185.3
— other comprehensive income	(47.9)	48.7	(29.5)	30.0
Change in equity	(185.8)	191.2	(209.6)	215.3

The analysis below shows the impact on our net profit and other comprehensive income due to changes in fair value of investment on equity securities, funds, equity derivative financial assets/liabilities, trust products and other equity investments by 5%, based on the carrying amount at financial position dates, with all other variables held constant. As for available-for-sale equity investment, the impact only takes into account of changes in fair value, without considering the impact on profit or loss due to possible impairment.

	December 31,			
	2014		2015	
	Increase by 5%	Decrease by 5%	Increase by 5%	Decrease by 5%
	(RMB in millions)			
Change in				
— net profit	487.0	(487.0)	1,290.3	(1,290.3)
— other comprehensive income	341.2	(341.2)	1,267.7	(1,267.7)
Change in equity	828.2	(828.2)	2,558.0	(2,558.0)

Credit Risk

Our credit risks are the possibility of loss caused by our counterparty's failure to perform a contract or change in its credit rating or ability to perform. Our businesses that are susceptible to credit risks include sales and trading of fixed income products, securities-backed financing as well as margin financing and securities lending. Our clients, counterparties or bond issuers in these businesses may default and fail to repay debts to us or pay principal and interest on the bonds they issued.

In order to effectively manage credit risks, we have adopted the following measures:

- implementing limit management for credit risks;
- establishing independent and appropriate credit evaluation procedures and credit rating system to assess the credit levels and limits for different transactions; adjusting and improving credit risk measurement methods and models;
- implementing multi-tiered management of credit risks; continuously tracking counterparties and transactions; recording and quantitatively analyzing changes in clients' transactions and credit;
- regularly conducting risk analysis on transactions and counterparties to assess possible losses to the Company under extremely unfavorable circumstances; for our high-risk clients and businesses, formulating more stringent procedures and standards on credit risk assessment, inspection and monitoring; and
- regularly preparing credit risk reports covering credit risk exposures, default rate of counterparties and anticipated recovery rate.

Liquidity Risk

Liquidity risk is the risk that we might not be able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for normal business operation. As liquidity is important for all our major businesses, we focus on the effective identification, measurement, monitoring and control of liquidity risk.

In order to effectively manage liquidity risk, we have adopted the following measures:

- adopting risk indicators analysis for our overall liquidity risk assessment, through the analysis of key indicators, including liquidity coverage, net stable capital ratio, liquidity gap ratio, liquidity ratio, and assets and liabilities concentration, to assess and measure the overall liquidity risk profile of the Company;

- examining cash flow mismatch through cash flow analysis as well as scenario-based and model-based gap analysis;

- establishing a liquidity risk limit mechanism, monitoring and reporting on implementation of limits as well as regularly conducting stress tests on liquidity risk;

- focusing on the risk profile of large fund providers, regularly monitoring their business activities with us and formulate financing concentration triggering ratios and contingency measures to be taken when the ratios are triggered;

- focusing on the changes in the capital markets, assessing our ability to improve liquidity by issuing stocks, bonds and other financing instruments and the associated costs, and improving mismatch of maturity structure by replenishing medium- and long-term liquidity; and

- establishing and improving our liquidity risk contingency plan, including reducing liquidity risk by risk transfer, risk diversification and risk exposure reduction; establishing contingency or backup systems, programs and measures for natural disasters, system failures and other emergencies, as well as regularly reviewing and testing the contingency plans and updating and improving our emergency response programs.

DIVIDEND POLICY

After the completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. Any proposed distribution of dividends shall be formulated by our Board and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of the losses incurred in the previous year;
- allocations to the statutory reserve equivalent to 10% of our profit after tax;
- allocations to the general risk reserve of not less than 10% of our profit after tax to recover the losses, and allocations to the transaction risk reserve of not less than 10% of our profit after tax to recover the deficit of securities trading in accordance with laws, regulations or regulatory requirements; and
- allocations to a discretionary common reserve of not less than 10% of our profit after tax that are approved by a Shareholders' meeting.

Furthermore, as required by the CSRC, as a securities company, we are not allowed to distribute cash dividends to Shareholders from the gains from fair value changes of financial assets that are included in our distributable profits. The Company distributes dividends primarily in the form of cash, but also distributes dividends in the form of stocks or a combination of cash and stocks. The Articles of Association specifically provides for relevant ratios of cash dividends: (i) the Company will distribute cash dividends in an amount equal to at least 15% of the annual distributable profits in any fiscal year; (ii) if dividends in any distribution consists of both cash and stocks, the cash dividends shall comprise not less than 20% of such distribution; and (iii) under special circumstances where the Company does not distribute cash dividends or where the cash dividends distributed fall below the stipulated ratios, the Company shall obtain relevant approvals and disclose the reasons for such non-distribution or insufficient distribution in accordance with the relevant laws, regulations and ordinances.

After completion of the [REDACTED], dividends may be paid only out of distributable profits as determined under CAS or IFRSs, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

In 2014 and 2015 and the nine months ended September 30, 2016, we distributed dividends of RMB305.0 million, RMB762.5 million and RMB3,965.0 million, respectively, representing a dividend of RMB0.05, RMB0.10 and RMB0.52 per share, respectively. At our shareholders' meeting in October 2016, it was resolved that in order to balance the interests of existing shareholders and future holders of H Shares, the accumulated undistributed profit before the [REDACTED] will be attributable to our new and existing shareholders upon the completion of the [REDACTED] of H Shares in proportion to their shareholding. Our historical dividends may not be indicative of future dividends payments.

DISTRIBUTABLE RESERVES

As of September 30, 2016, the Company had RMB[35,031.0] million of retained profits, as determined under IFRSs, available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of our unaudited pro forma adjusted consolidated net tangible assets below illustrates the effect of the [REDACTED] of the Company on the audited consolidated net tangible assets attributable to equity holders of the Company, assuming the [REDACTED] had taken place on [●], 2017.

The statement of our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the [REDACTED] been completed as at [●], 2017 or at any future date.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at [●], 2017[(1)]	**Estimated net proceeds from the [REDACTED][(2)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per share**	
	RMB in millions	**RMB in millions**	**RMB in millions**	**RMB[(3)]**	**HK$[(4)]**
Based on an [REDACTED] of HK$[REDACTED] per share	[●]	[REDACTED]	[●]	[●]	[●]
Based on an [REDACTED] of HK$[REDACTED] per share	[●]	[REDACTED]	[●]	[●]	[●]

Note:

1. The audited consolidated net tangible assets attributable to equity holders of the Company as at [date] is based on the consolidated net assets attributable to equity holders of the Company of approximately RMB[●] million adjusted for other intangible assets of approximately RMB[●] million and goodwill of approximately RMB[●] million, as extracted from the accountants' report set out in Appendix I of this document.
2. The estimated net proceeds from the [REDACTED] are based on [REDACTED] H Shares at the [REDACTED] of lower and upper limit of HK$[REDACTED] and HK$[REDACTED] per share, respectively, after deduction of the underwriting commissions and fees and other related fees assuming that the [REDACTED] is not exercised. The estimated net proceeds from the [REDACTED] are converted from Hong Kong dollars into RMB at an exchange rate of HK$1 to RMB0.89451, which was the exchange rate set by the PBOC prevailing on 31 December 2016. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at any other rates or at all.
3. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per share is arrived at on the basis that [REDACTED] Shares, which represents 7,625,000,000 A Shares in issue and [REDACTED] H Shares to be issued pursuant to the [REDACTED], were in issue assuming that the [REDACTED] had been completed on [date] and that the [REDACTED] is not exercised.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per share is converted from RMB into Hong Kong dollars at the rate of HK$1 to RMB0.89451. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
5. No adjustment has been made to reflect any trading result or other transactions of the Group subsequent to [date].

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.

As a company listed on the Shanghai Stock Exchange, we are required to publish our quarterly (for the first and third quarters of each year), interim (for the first six months of each year) and annual reports with respect to our A Shares under the SSE Listing Rules. These reports are prepared in conformity with CAS. Our quarterly financial information in both English and Chinese will also be released in Hong Kong simultaneously pursuant to Rule 13.10B of the Hong Kong Listing Rules subsequent to our Listing on the Hong Kong Stock Exchange. We will publish annual and semi-annual financial information under IFRSs for H Share disclosure purpose and annual, semi-annual and quarterly financial information under CAS for A Share disclosure purpose simultaneously.

In addition, we are also required by the CSRC to announce selected unconsolidated unaudited monthly operating revenue and net profit and month-end net assets of the Company, Guotai Junan Asset Management and Shanghai Securities, prepared in conformity with CAS, by way of an announcement published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn/) on a monthly basis. Our monthly selected unconsolidated financial data in both English and Chinese will also be released in Hong Kong simultaneously pursuant to Rule 13.10B of the Hong Kong Listing Rules subsequent to our Listing on the Hong Kong Stock Exchange.

NO MATERIAL AND ADVERSE CHANGE

Our Directors have confirmed that there has been no material and adverse change in our financial or trading position or prospects since December 31, 2015 (being the date of our latest audited financial statements) and there has been no event since September 30, 2016 which would materially affect the information set out in "*Appendix I — Accountants' Report*" and "*Appendix II — Unaudited Interim Financial Information*".

LISTING EXPENSES

Listing expenses represent underwriting commissions, professional fees and other fees incurred in connection with the [REDACTED]. We estimate that our listing expenses will be approximately RMB[REDACTED] million (assuming (i) an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range stated in this document) and (ii) the [REDACTED] is not exercised at all), of which approximately RMB[REDACTED] million is directly attributable to the issuance of our H Shares to the public and will be capitalized, and approximately RMB[REDACTED] million has been or is expected to be expensed in 2017. Our Directors do not expect such expenses to materially impact our results of operations in 2017.

OVERVIEW

The Board currently consists of 15 Directors, amongst whom three are executive Directors, seven are non-executive Directors and five are independent non-executive Directors. The Board is responsible, and has the general authority for, the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years. Upon the Listing, our amended Articles of Association will become effective, pursuant to which the Board shall comprise of a total of 17 Directors, including six independent non-executive Directors.

Our Supervisory Committee currently consists of seven Supervisors, amongst whom four are Supervisors appointed by Shareholders' general meeting and three are employee representative Supervisors. The employee representative Supervisors are elected at employee representative assemblies. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Company.

Directors, Supervisors and Senior Management

The following table shows the key information of our Directors as of the Latest Practicable Date. All of our Directors meet the qualification requirements under the Hong Kong Listing Rules and relevant PRC laws and regulations for their positions.

Name	Age	Date of joining the Company	Date of appointment as Director	Position	Responsibility	Residential Address
Mr. YANG Dehong (楊德紅) (Nationality: Chinese)	50	September 2014	May 2015	Chairman of the Board and Executive Director	In charge of the overall operation of the Board and gives advice on our strategies	Room 601 No. 11 Lane 1333 Haiyang Road Pudong New District Shanghai PRC
Mr. WANG Song (王松) (Nationality: Chinese)	53	August 1999	September 2015	Vice chairman of the Board and Executive Director	Participates in making significant decisions, gives advice on our risk management and is in charge of our daily operation and management	Room 1601 No. 1 Lane 389, Anshun Road Shanghai PRC

Name	Age	Date of joining the Company	Date of appointment as Director	Position	Responsibility	Residential Address
Mr. YU Jian (喻健) (Nationality: Chinese)	52	August 1999	May 2016	Executive Director	Participates in making significant decisions and acts as the secretary of the Board and joint company secretary	Room 301 No. 1 Gaoyou Road Xuhui District Shanghai PRC
Mr. FU Fan (傅帆) (Nationality: Chinese)	52	March 2015	February 2015	Non-executive Director	Participates in making significant decisions and gives advice on our risk management and strategies	Room 1702 No. 15 Lane 888 Jinxiu Road Pudong New District Shanghai PRC
Ms. LIU Ying (劉櫻) (Nationality: Chinese)	53	November 2016	October 2016	Non-executive Director	Participates in making significant decisions	No. 259 Tianlai Garden Lane 2088, Dushi Road Minhang District Shanghai PRC
Mr. ZHONG Maojun (鐘茂軍) (Nationality: Chinese)	47	June 2015	May 2015	Non-executive Director	Participates in making significant decisions and gives advice on our risk management	Room 601 No. 29 Lane 888 Jinxiu Road Pudong New District Shanghai PRC
Mr. ZHOU Lei (周磊) (Nationality: Chinese)	38	June 2015	May 2015	Non-executive Director	Participates in making significant decisions and gives advice on our audit	Room 2203 No. 1 Lane 300 Nandan East Road Shanghai PRC
Mr. WANG Yongjian (王勇健) (Nationality: Chinese)	52	January 2013	January 2013	Non-executive Director	Participates in making significant decisions and gives advice on our strategies and remuneration	Flat 12A Meiguige Baihua Garden, No. 2 Baihua First Road, Futian District Shenzhen, Guangdong PRC
Mr. XIANG Dong (向東) (Nationality: Chinese)	46	May 2016	May 2016	Non-executive Director	Participates in making significant decisions and gives advice on our audit	Room 5B No. 4 Baihua Residential Building No. 5 Baihua Third Road Futian District, Shenzhen Guangdong PRC
Mr. LIU Qiang (劉強) (Nationality: Chinese)	60	January 2013	January 2013	Non-executive Director	Participates in making significant decisions and gives advice on our risk management	Room 2004 No. 8 Lane 180 Tianyaoqiao Road Xuhui District Shanghai PRC

Name	Age	Date of joining the Company	Date of appointment as Director	Position	Responsibility	Residential Address
Mr. XIA Dawei (夏大慰) (Nationality: Chinese)	63	May 2016	May 2016	Independent non-executive Director	Participates in making significant decisions and gives advice on our remuneration and audit	Room 802 No. 20 Lane 266 Dongxiu Road Shanghai PRC
Mr. SHI Derong (施德容) (Nationality: Chinese)	68	January 2013	January 2013	Independent non-executive Director	Participates in making significant decisions	Room 2903, East Building No. 88 Xianxia Road Changning District Shanghai PRC
Mr. CHEN Guogang (陳國鋼) (Nationality: Chinese)	57	January 2013	January 2013	Independent non-executive Director	Participates in making significant decisions and gives advice on our audit and remuneration	Room 1605, 38/F Anwai Shanglong West Lane Dongcheng District Beijing PRC
Mr. LING Tao (凌濤) (Nationality: Chinese)	62	March 2015	February 2015	Independent non-executive Director	Participates in making significant decisions and gives advice on our strategies and risk management	No. 246 Lane 2255 Luoshan Road Shanghai PRC
Mr. JIN Qingjun (靳慶軍) (Nationality: Chinese)	59	January 2013	January 2013	Independent non-executive Director	Participates in making significant decisions and gives advice on our audit and remuneration	No. 123, No. 9 Laiguangying East Road Chaoyang District Beijing PRC
Mr. LEE Kong Wai, Conway (李港衛) (Nationality: Chinese (Hong Kong))	62	N/A[(1)]	October 2016	Independent non-executive Director	N/A	House No. A9 Europa Garden 48 Kwu Tung Road Sheung Shui Hong Kong

Note:

(1) Mr. Lee was appointed as an independent non-executive Director on a Shareholders' general meeting held on October 24, 2016 and his appointment will take effect upon the Listing. Mr. Lee's qualification as an independent Director was approved by the CSRC's Shanghai branch on December 1, 2016.

The following table shows the key information of our Supervisors. All of our Supervisors meet the qualification requirements under relevant PRC laws and regulations for their positions.

Name	Age	Date of joining the Company	Date of appointment as Supervisor	Position	Responsibility	Residential Address
Mr. SHANG Hongbo (商洪波) (Nationality: Chinese)	57	October 2015	May 2015	Chairman of the Supervisory Committee, and Supervisor	In charge of the overall operation of the Supervisory Committee and supervises the performance of Directors and senior management	Room 201 No. 167 Lane 1038 Huashan Road Changning District Shanghai PRC
Mr. ZHU Ning (朱寧) (Nationality: Chinese)	58	November 2005	November 2012	Vice chairman of the Supervisory Committee; Employee representative Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	Room 1101 No. 2 Lane 307 Shaanxi South Road Shanghai PRC
Mr. TENG Tieqi (滕鐵騎) (Nationality: Chinese)	59	August 1999	July 2006	Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	Flat 14, 3/F, Unit 2 Building 599 Jinchengdajie Street, Lvyuan District Changchun, Jilin PRC
Mr. SHAO Chong (邵崇) (Nationality: Chinese)	57	July 2006	July 2006	Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	Room 14B, Building 2 Long Garden, Tian An Golf Garden, Futian District Shenzhen, Guangdong PRC
Mr. ZUO Zhipeng (左志鵬) (Nationality: Chinese)	46	July 2016	May 2016	Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	No. 80, Fangzhi South Road Daguan District Anqing, Anhui PRC
Mr. WANG Weijie (汪衛傑) (Nationality: Chinese)	53	August 1999	November 2012	Employee representative Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	Room 702 No. 45 Lane 2399 Chengshan Road Shanghai PRC
Mr. LIU Xuefeng (劉雪楓) (Nationality: Chinese)	52	August 1999	November 2012	Employee representative Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	Room 301 No. 2 Lane 888 Jingxiu Road Pudong New District Shanghai PRC

The following table shows the key information of our senior management:

Name	Age	Date of joining the Company	Date of appointment as senior management	Position	Responsibility
Mr. WANG Song (王松)	53	August 1999	• August 2015 • August 2006	• President • Vice President (to August 2015)	In charge of our daily operation and management
Mr. ZHU Jian (朱健)	45	September 2016	November 2016	Vice president	Assists the president in daily management and is responsible for investment banking business and international business
Mr. JIANG Yiming (蔣憶明)	53	August 1999	• November 2013 • April 2003	• Vice president • Chief financial officer (to November 2016)	Assists the president in daily management and is responsible for margin financing and securities finance and securities-backed finance business
Mr. CHEN Yutao (陳煜濤)	54	August 1999	• November 2016 • November 2013	• Vice president • Chief information officer	Assists the president in daily management and is responsible for retail business, branch offices, information technologies and future business
Mr. GONG Dexiong (龔德雄)	47	July 2014	November 2016	Vice president	Assists the president in daily management and is responsible for asset management, Shanghai Securities and investment fund business
Ms. LIU Guifang (劉桂芳)	53	December 2008	• March 2014 • December 2008 • June 2011	• Chief risk officer • Chief compliance officer • Vice president (to November 2016)	Assists the president in daily management, and is responsible for risk management and supervising the Group and staff's compliance of their operation, management and conduct

Name	Age	Date of joining the Company	Date of appointment as senior management	Position	Responsibility
Mr. YU Jian (喻健).	52	August 1999	March 2009	Secretary to the Board	Oversees information disclosure and investor relations, and organizes Shareholders' meetings, and Board meetings
Mr. XIE Lebin (謝樂斌).	49	August 1999	November 2016	Chief financial officer	Assists the president in daily management and is responsible for financial management

DIRECTORS

Mr. Yang Dehong (楊德紅), aged 50, is the chairman of our Board and our executive Director. Mr. Yang worked at the finance department and served as the deputy chief of the Asian Development Bank project section of Shanghai Trust from July 1989 to April 1992; the representative of the office of Shanghai Trust in Hamburg, Germany from April 1992 to September 1995; the deputy general manager of Hong Kong Shenxin Import & Export Corporation (香港申信進出口公司) from September 1995 to March 1999; the manager of the second investment banking department of Shanghai Trust from March 1999 to September 2002; the general manager of International Group Asset Management from September 2002 to March 2006. Mr. Yang also served as the head of the general office, the head of the board office and the head of the information centre of International Group from April 2003 to July 2005, the general manager's assistant of International Group from July 2005 to April 2008, the deputy general manager of International Group from April 2008 to September 2014. Mr. Yang also served as the general manager of Shanghai SITICO International Consulting Co., Ltd. (上海上投國際投資諮詢有限公司) concurrently from August 2000 to September 2002; the deputy general manager of Shanghai Trust from February 2004 to July 2005, and the general manager of Shanghai Aijian Co., Ltd. (上海愛建股份有限公司) concurrently from August 2009 to February 2014; the chairman of the board of Tullett Prebon SITICO (China) Ltd. (上海國利貨幣經紀有限公司) concurrently from December 2005 to April 2014; the chairman of the board of Shanghai Equity Exchange Co., Ltd. (上海股權託管交易中心股份有限公司) concurrently from November 2011 to September 2014. Thereafter Mr. Yang held various positions in the Company, including the president of the Company from November 2014 to May 2015; the chairman of the Board and the president of the Company from May 2015 to August 2015; the chairman of the Company since August 2015; and the chairman of Guotai Junan Financial Holdings from May 2015 to March 2016. Mr. Yang also served as a director of SPD Bank, a company listed on the Shanghai Stock Exchange (stock code: 600000), from November 2008 to April 2015.

Mr. Yang obtained a bachelor's degree in economics from Fudan University (復旦大學) in Shanghai in July 1989, and a master's degree in business administration from China Europe International Business College (中歐國際工商學院) in Shanghai in April 2002.

Mr. Wang Song (王松), aged 53, is the vice chairman of our Board, our executive Director and our president. Mr. Wang worked as a trainee in the headquarters, a clerk in the Yunxi branch under the Yue Yang central branch, and an officer in the investment and management department of the headquarters of the China Construction Bank successively from July 1987 to October 1992; the deputy head of the Beijing office of Guotai Securities from October 1992 to March 1994; deputy general manager of the issuance department and the general manager of bond department of Guotai Securities from March 1994 to August 1999; the general manager of the first bond business department, and the general manager and the president of the head office of the fixed income securities department of the Company from August 1999 to October 2003; president assistant and the president of the fixed income securities head office of the Company from October 2003 to August 2006; the vice president of the Company from August 2006 to August 2015; the president of the Company from August 2015 to September 2015; the vice chairman of the Board, a Director and the president of the Company from September 2015 to May 2016; and a Director and the president of the Company from May 2016 to November 2016. Mr. Wang has held the positions of the vice chairman of our Board, a Director and the president of the Company since November 2016, and the chairman of the board of Guotai Junan Financial Holdings concurrently since March 2016.

Mr. Wang obtained a bachelor's degree in engineering and a postgraduate diploma in industrial management engineering from the Central China Industry College (華中工學院) (currently known as Huazhong University of Science and Technology (華中科技大學)) in Wuhan in July 1985 and July 1987, respectively.

Mr. Yu Jian (**喻健**), aged 52, is our executive Director, the secretary to the Board and the head of the office of the Board. Mr. Yu served as the project head of the science department of the research institution under the Ministry of Aerospace from July 1986 to March 1993; the deputy manager of the securities issuance department, the manager of the first issuance division of the securities issuance department, and the deputy general manager of the securities issuance department of Guotai Securities from December 1993 to August 1999; the deputy general manager of the investment banking department of the Company from August 1999 to September 2000; the deputy division head, division head and the general manager of the corporate finance department of the Company from September 2000 to May 2008; and the head of the listing office of the Company from May 2008 to June 2009. Mr. Yu has been appointed as the secretary to the Board since March 2009, the head of the office of the Board of the Company since January 2016, and a Director of the Company since May 2016.

Mr. Yu obtained a bachelor's degree in engineering from the Beijing Institute of Aeronautics (北京航空學院) (currently known as Beihang University (北京航空航天大學)) in Beijing in July 1986, and a master's degree in business administration jointly granted by Shanghai National Accounting Institute (上海國家會計學院) and Arizona State University in May 2011.

Mr. Fu Fan (**傅帆**), aged 52, is our non-executive Director. Mr. Fu previously served as a deputy general manager of Shangtou Industry Investment Co., Ltd. (上投實業投資有限公司) from January 1998 to July 2000; the head of the board office of International Group from July 2000 to November 2001; a deputy general manager of Shanghai Trust from November 2001 to May 2004; a deputy general manager of CIFM from May 2004 to September 2009; the general manager and vice chairman of Shanghai Trust from September 2009 to May 2014; the chairman of Shanghai SA from May 2014

to February 2015; the vice president of International Group and concurrently the chairman of Shanghai SA from February 2015 to August 2015; and has been a director and vice president of International Group and concurrently the chairman of Shanghai SA since August 2015. Mr. Fu has been appointed as a Director of the Company since February 2015.

Mr. Fu obtained a bachelor's degree in engineering and a master's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in Shanghai in July 1986 and February 1989, respectively.

Ms. Liu Ying (**劉櫻**), aged 53, is our non-executive Director. Ms. Liu served as an officer of the consulting department of Shanghai Trust from July 1985 to November 1992; a director's assistant and deputy director of the comprehensive research office of Shanghai Trust from November 1992 to July 1998; the executive deputy manager of the legal department of Shanghai Trust from July 1998 to August 2000; the executive deputy manager and manager of the legal department of International Group from August 2000 to May 2004; deputy general manager of CIFM from May 2004 to May 2010; the head of the board office and general manager of auditing headquarters of International Group from May 2010 to March 2013; the general manager and the chief investment officer of the investment department of International Group from March 2013 to September 2015. Ms. Liu has held the position of investment president of International Group since September 2015, and has been a director of International Group since May 2016; and an executive director and the general manager of International Group (Hong Kong) Co., Ltd. (上海國際集團(香港)有限公司). Ms. Liu has been appointed as a Director of the Company since October 2016.

Ms. Liu obtained her bachelor's degree in law from Fudan University in Shanghai in July 1985, and obtained the title of senior economist through accreditation by the Shanghai Economics (Circulation) Senior Professional and Technical Title Qualification Evaluation Committee in August 2002.

Mr. Zhong Maojun (**鐘茂軍**), aged 47, is our non-executive Director. Mr. Zhong served as the general manager's assistant of the investment banking department and the head of the reorganization office of Orient Securities Co., Ltd. (東方證券有限責任公司) from February 1998 to January 2003. Mr. Zhong then held several positions in Shanghai Municipal Financial Service Office from January 2003 to January 2015, including the deputy head of the financial institution division, the deputy head of the financial stabilization division (in charge of execution), the head of the financial stabilization division, the head of the financial institution service division and the director of municipal financial state-owned assets supervisory service division. Mr. Zhong subsequently served as chief operating officer of International Group and the general manager of the strategic research department from January 2015 to May 2016, and the chief operating officer and the general manager of the capital operation department of International Group since May 2016. Mr. Zhong served as the chairman of Shangguotou Asset Management concurrently from January 2015 to December 2016, and has been appointed as a Director of the Company since May 2015.

Mr. Zhong obtained a bachelor's degree in law and a master's degree in law from Peking University (北京大學) in July 1991 and July 1994 in Beijing, respectively.

Mr. Zhou Lei (周磊), aged 38, is our non-executive Director. Mr. Zhou worked as the project manager and the manager of the financing arrangement department of International Group Asset Operation from December 2003 to December 2008; the general manager of the financing arrangement headquarters of International Group Asset Management from December 2008 to November 2009; the vice president of project development of International Group Asset Management from November 2009 to August 2010; the deputy general manager and the head of risk compliance of Shanghai Aijian Trust Investment Co., Ltd. (上海愛建信託投資有限公司) from August 2010 to December 2011; the general manager of Shanghai Aijian Trust Co., Ltd. (上海愛建信託有限公司) from December 2011 to March 2015; a director of Shanghai Aijian Trust Co., Ltd from November 2013 to March 2015; the deputy general manager of Shanghai SA from March 2015 to January 2016; and as the general manager and the vice chairman of Shanghai SA since January 2016. Mr. Zhou has been appointed as a Director of the Company since May 2015.

Mr. Zhou obtained a bachelor's degree in economics from Shanghai Jiao Tong University in June 2000 in Shanghai, and a master's degree in business administration from the China Europe International Business School in September 2010 in Shanghai.

Mr. Wang Yongjian (王勇健), aged 52, is our non-executive Director. Mr. Wang served as the clerk, the deputy director clerk and the director clerk of the economic system reform office of Shenzhen Municipal Government from September 1993 to November 1997; the manager of the integrated management department, the manager of the information management department and the deputy general manager of the administrative headquarters of the research institute of China Southern Securities Co., Ltd. (南方證券股份有限公司) from November 1997 to September 2005; the board secretary of Shenzhen Shahe Industry (Group) Co., Ltd. (深圳沙河實業(集團)有限公司) from September 2005 to July 2009; the deputy general manager of Shahe Industry Co., Ltd. (沙河實業股份有限公司) from March 2006 to July 2009; and the deputy general manager of Shenzhen Investment Holdings from July 2009 to May 2016. Mr. Wang has also been serving as a director and the general manager of Shenzhen Investment Holdings since May 2016, a director of Guosen Securities Co., Ltd. (國信證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002736), since June 2011, a director of Shenzhen Textile (Holdings) Co., Ltd, a company listed on Shenzhen Stock Exchange (stock code: 000045), since June 2013 and has been appointed as a Director of the Company since January 2013.

Mr. Wang completed his undergraduate education majoring in power machinery in July 1986 and his postgraduate education majoring in system engineering in December 1988 at Shanghai Jiao Tong University in Shanghai.

Mr. Xiang Dong (向東), aged 46, is our non-executive Director. Mr. Xiang worked as the financial manager and the assistant chief financial officer of Wal-Mart (China) Investment Co., Ltd. (沃爾瑪(中國)投資有限公司) from January 2002 to March 2005; chief group finance officer of Ramaxcel (Shenzhen) Co., Ltd. (記憶科技(深圳)有限公司) from April 2005 and August 2007; the chief financial officer of Shenzhen Chipsbank Technologies Co., Ltd. (深圳芯邦科技股份有限公司) from August 2007 to August 2010; and the chief financial officer of Shenzhen Textile (Holdings) Co., Ltd. (深圳市紡織 (集團) 股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000045), from August 2010 to April 2013; the director of Shenzhen Textile (Holdings) Co., Ltd

since December 2010 to May 2013. Mr. Xiang has been serving as the head of finance department of Shenzhen Investment Holdings since April 2013, the head of the settlement centre of Shenzhen Investment Holdings concurrently since November 2015, and has been appointed as a Director of the Company since May 2016.

Mr. Xiang obtained a bachelor's degree in engineering from Chengdu Technology University (成都科技大學) (currently a part of Sichuan University (四川大學)) in Chengdu in July 1993, and a master's degree in engineering from Dalian University of Technology (大連理工大學) in Dalian in August 1996. Mr. Xiang qualified as a certified public accountant of the China Certified Public Accountant Association in December 2009 and has been a member of the Association of Chartered Certified Accountants since May 2004.

Mr. Liu Qiang (**劉強**), aged 60, is our non-executive Director. Mr. Liu worked as the deputy director clerk and the director clerk of the finance division of Shanghai Metallurgy Industry Bureau (上海冶金工業局) from August 1987 to April 1993; the deputy general manager of Shanghai Yongxin Metal Soft Pipe Co., Ltd. (上海永新金屬軟管有限公司) from April 1993 to September 1997; the general manager's assistant and manager of finance department of Shanghai Science and Technology Co., Ltd. (上海科技投資有限公司) from September 1997 to December 2000; and the deputy general manager and general manager of Shanghai Water Assets Operation and Development Co., Ltd. (上海水務資產經營發展有限公司) from December 2000 to April 2005. Mr. Liu then held various positions in Shanghai Municipal Investment (Group) Corporation, including general manager of the water business department from April 2005 to January 2007; the deputy chief economist from January 2007 to January 2008; the general manager of the production management department from January 2007 to July 2007; the deputy general manager from January 2008 to November 2014. Mr. Liu has been serving as the vice president of Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司) since November 2014, and has been appointed as a Director of the Company since January 2013.

Mr. Liu obtained an MBA degree from Macau University of Science and Technology in Macau in January 2005. Mr. Liu obtained the title of senior accountant through accreditation by the Shanghai Accounting Senior Professional and Technical Title Qualification Evaluation Committee in November 1996.

Mr. Xia Dawei (**夏大慰**), aged 63, is our independent non-executive Director. Mr. Xia has previously worked as a teacher, the chancellor assistant and the vice chancellor of Shanghai University of Finance and Economics (上海財經大學) from July 1985 to August 2000. Mr. Xia then served as the dean of Shanghai National Accounting Institute from August 2000 to August 2012 and has been a professor, a doctoral tutor and the academic committee director of Shanghai National Accounting Institute. Mr. Xia currently holds the positions of the deputy chairman of the Chinese Industrial Economic Association (中國工業經濟學會), the consultant of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則委員會), the chairman of Shanghai Accounting Association, honorary professor of the Chinese University of Hong Kong, and the part-time professor of the School of Management of Fudan University and member of the listed company expert committee of Shanghai Stock Exchange. Mr. Xia has been serving as an independent Director of various listed companies, including Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 0980) since September 2004,

Shanghai Electric Power Co., Ltd. (上海電力股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600021), since November 2009, Baoshan Iron & Steel Co., Ltd (寶山鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600019), since April 2013, China United Network Communications Limited (中國聯合網絡通信股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600050), from November 2009 to May 2016, and has been appointed as the independent Director of the Company since May 2016. Mr. Xia has also been the external supervisor of the Industrial Bank Co. Ltd. (興業銀行股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 601166) from May 2016 to now.

Mr. Xia obtained a bachelor's degree in engineering from Changchun University of Technology (長春工業大學) in July 1982 in Changchun, and a master's degree in economics from Shanghai University of Finance and Economics in October 1985 in Shanghai.

Mr. Shi Derong (**施德容**), aged 68, is our independent non-executive Director. He has previously held the positions of the secretary of the party branch and the secretary of the youth league branch of Central Hospital of Luwan District of Shanghai (上海盧灣區中心醫院) from October 1974 to August 1982; the deputy youth league secretary of the youth league committee of Luwan District, Shanghai from August 1982 to July 1983; the office director of Luwan District of Shanghai General Trade Union (上海總工會) from July 1983 to June 1984; head of the organization department of the party committee of Luwan District, Shanghai from June 1984 to June 1986; the deputy secretary of the party committee of Luwan District, Shanghai from June 1986 to March 1992; the deputy chief and the deputy secretary of the party committee of Shanghai Civil Affairs Bureau from March 1992 to November 1995; the chief and secretary of the party committee of Shanghai Civil Affairs Bureau from November 1995 to April 2003; the president and the secretary of the party committee of Shanghai Shengrong Investment Co., Ltd. (上海盛融投資有限公司) from April 2003 to October 2009; and concurrently as the chairman of Shanghai Building Materials (Group) Corporation (上海建材(集團)有限公司) from December 2003 to October 2009; the chairman and the secretary of the party committee of Shanghai Guosheng Group (上海國盛(集團)有限公司) from July 2007 to May 2012; and the Director of Bailian (Group) Co., Ltd. (上海百聯集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600827), from June 2015 to September 2016. Mr. Shi has been the director and the chief investment officer of CDB Root-Well Industrial Investment Fund Management Co., Ltd. (國開熔華產業投資基金管理有限責任公司) since June 2013 and has been appointed as an independent Director of the Company since January 2013.

Mr. Shi obtained a bachelor's degree in law from East China Normal University (華東師範大學) in Shanghai in December 1987, a master's degree in engineering from Tongji University (同濟大學) in Shanghai in November 1992 and a doctorate degree in engineering from Tongji University in Shanghai in June 1996.

Mr. Chen Guogang (**陳國鋼**), aged 57, is our independent non-executive Director. Mr. Chen was an assistant professor at Xiamen University (廈門大學) from July 1984 to March 1985, and served as the deputy chief financial officer of Hong Kong Hino Co., Ltd. (香港鑫隆有限公司) in Hong Kong from July 1988 to July 1991. Mr. Chen subsequently served as the finance manager of the U.S. agrichemical subsidiary of China National Chemicals Import & Export Corporation (中國化工進出口總公司) from July 1991 to March 1994; the general manager of the petroleum accounting department of China National Chemicals Import & Export Corporation from March 1994

to January 1995; the vice chief of the finance department of China National Chemicals Import & Export Corporation from January 1995 to May 1997; the vice president of China International United Petroleum and Chemicals Co., Ltd. (中國國際石油化工聯合公司) from May 1997 to February 1999; the deputy chief accountant of China National Chemicals Import & Export Corporation from February 1999 to June 1999; the general manager of the finance department of China National Chemicals Import & Export Corporation from June 1999 to December 2000; and the chief accountant of Sinochem Group (中國中化集團公司) from December 2000 to April 2010. Mr. Chen joined New China Insurance Co., Ltd. (新華人壽保險股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1336), in April 2010 and served as the chief financial officer until April 2015. Mr. Chen served as the vice-president of New China Insurance Co., Ltd. from September 2011 to May 2015. Mr. Chen has been a non-executive director of Far East Horizon Co., Ltd. (遠東宏信有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3360), since December 2015 and the independent non-executive director of China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3818), since January 2016, and an independent non-executive director of the Shanghai YTO Express (Logistics) Co., Ltd. (圓通速遞股份有限公司) listed on the Shanghai Stock Exchange (stock code: 600233) from October 2016 to now. Mr. Chen has also been appointed as an independent Director of the Company since January 2013, the vice president of China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司) since May 2015 and the chairman of CMI Capital Co., Ltd. (中民投資本管理有限公司) since January 2016.

Mr. Chen graduated from Xiamen University in Xiamen with a bachelor's degree in financial accounting in January 1982, a master's degree and a doctorate degree in economics in December 1984 and July 1988, respectively. Mr. Chen was conferred the title of senior accountant by the National Accounting Institute of the PRC in April 2002, and he qualified as a non-practising member of the Chinese Institute of Certified Public Accountants in July 1997.

Mr. Ling Tao (**凌濤**), aged 62, is our independent non-executive Director. Mr. Ling held various positions such as the deputy institute head at the Research Bureau of People's Bank of China from April 1989 to May 2000. Mr. Ling was the chief of Ningbo Central Branch of the People's Bank of China from June 2000 to July 2001; the deputy chief of Shanghai Branch of the People's Bank of China from August 2001 to December 2003; and the director of the Anti-Money Laundry Bureau of the People's Bank of China from December 2003 to July 2005. Mr. Ling held various positions such as the deputy chief at the Shanghai Headquarters of People's Bank of China from July 2005 to June 2014, and was the deputy head of the preparation group of Shanghai HuaRui Bank Co., Ltd. (上海華瑞銀行) from June 2014 to January 2015. Mr. Ling has also been the chairman of Shanghai HuaRui Bank Co., Ltd. (上海華瑞銀行股份有限公司) since January 2015, and has been appointed as an independent Director of the Company since February 2015.

Mr. Ling obtained a doctorate degree in economics from Shaanxi Finance and Economic Institute (陝西財經學院) (currently known as Xi'an Jiaotong University (西安交通大學)) in November 1997 in Xi'an.

Mr. Jin Qingjun (**靳慶軍**), aged 59, is our independent non-executive Director. Mr. Jin previously worked as a lawyer in Zhongxin Law Firm (中信律師事務所) from April 1989 to October 1993; partner of Xinda Law Firm (信達律師事務所) from October 1993 to August 2002; and a senior partner of King & Wood Mallesons since September 2002. Mr. Jin has also been serving as an

independent director of Gemdale Corporation Co., Ltd. (金地集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600383), since April 2011; an external supervisor of China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036) since October 2014; an independent non-executive director of Times Property Holdings Limited (香港時代地產控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1233), since October 2015; an independent non-executive director of Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3377) since March 2016 and a director of Konka Group Co., Ltd. (康佳集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000016), since May 2015. Mr. Jin also served as an independent director of Tianjin Changrong Print and Packing Equipment Co., Ltd. (天津長榮印刷設備股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300195), from December 2013 to December 2016; an independent director of Xi'an Dagang Road Machinery Co., Ltd (西安達剛路面機械股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300103) from April 2015 to April 2016 and an independent non-executive director of China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2039) and the Shenzhen Stock Exchange (stock code: 000039) from April 2010 to April 2014. Mr. Jin has been appointed as an independent Director of the Company since January 2013.

Mr. Jin obtained a bachelor's degree in literature from Anhui University (安徽大學) in December 1982 in Hefei, and a master's degree in law from China University of Political Science (中國政法大學) and Law in July 1987 in Beijing.

Mr. Lee Kong Wai, Conway (**李港衛**), aged 62, was appointed as our independent non-executive Director in October 2016. Mr. Lee served as a partner of Ernst & Young for 29 years from September 1980 to September 2009. Mr. Lee has been an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Chaowei Power Holdings Limited (stock code: 0951) since June 2010, West China Cement Limited (stock code: 2233) since July 2010, China Modern Dairy Holdings Limited (stock code: 1117) since October 2010, Tibet 5100 Water Resources Holdings Ltd. (stock code: 1115) since March 2011, Gome Electrical Appliances Holdings Limited (stock code: 0493) since March 2011, CITIC Securities Company Limited (the Hong Kong Stock Exchange stock code: 6030 and the Shanghai Stock Exchange code: 600030) from August 2011 to May 2016, NVC Lighting Holding Limited (stock code: 2222) since November 2012, Yashili International Holdings Limited (stock code: 1230) since November 2013, GCL New Energy Holdings Limited (stock code: 0451) since May 2014, WH Group Limited (stock code: 0288) since August 2014 and China Rundong Auto Group Limited (stock code: 1365) since August 2014. Moreover, Mr. Lee was a non-executive director and the deputy chairman of China Environmental Technology and Bioenergy Holdings Limited (中科生物控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code:1237) from July 2014 to September 2015. Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China since 2007.

Mr. Lee received a bachelor's degree in arts from the Kingston Polytechnic (currently known as the Kingston University) in London in July 1980 and further obtained his postgraduate diploma in business from the Curtin University of Technology in Australia in February 1988. Mr. Lee has been

a member of several institutes of certified accountants, including the Institute of Chartered Accountants in England and Wales since October 2007, the Institute of Chartered Accountants in Australia since December 1996, the Association of Chartered Certified Accountants since September 1983, the Hong Kong Institute of Certified Public Accountants since March 1984 and the Macau Society of Registered Accountants since July 1995.

SUPERVISORS

Mr. Shang Hongbo (商洪波), aged 57, serves as the chairman of our Supervisory Committee. Mr. Shang has previously held various positions at Ningbo Branch of the People's Bank of China from September 1985 to December 1994, including the head of the liquidation group of the finance company from June 1989 to February 1990; the deputy head of the financial administration division (in charge of execution) from February 1990 to December 1991; the office director from December 1991 to March 1993; and the deputy chief from March 1993 to December 1994. Mr. Shang also served as the chief of Ningbo Branch of SPD Bank (上海浦東發展銀行) from December 1994 to February 2002. Mr. Shang served as the deputy chief of SPD Bank from February 2002 to March 2015. Mr. Shang has been appointed as the chairman of the Supervisory Committee of the Company since May 2015.

Mr. Shang graduated from Ningbo Municipal CPC Party School (中共寧波市委黨校) majoring in administration in December 2000 in Ningbo, and a master's degree in business administration jointly granted by Shanghai National Accounting Institute and Arizona State University in August 2005.

Mr. Zhu Ning (朱寧), aged 58, is vice chairman of the Supervisory Committee and our employee representative Supervisor. Mr. Zhu has previously served as the deputy director clerk, the director clerk, and the deputy-division level researcher at the comprehensive division of general office of the CPC Shanghai Municipal Committee from July 1987 to December 1995; the deputy director of the office of science, education and culture of the CPC Shanghai Municipal Committee from December 1995 to November 2000; the deputy director and the director of the research office of the financial work committee of CPC Shanghai Municipal Committee from November 2000 to September 2002; the director of the research office of the financial work committee of CPC Shanghai Municipal Committee and also the director of the policy research office of the Shanghai Financial Services Office from September 2002 and November 2005. Mr. Zhu served as the chairman of Guotai Junan IM from February 2010 to July 2013. Mr. Zhu has been serving as the deputy secretary of the party committee and the secretary of Commission for Discipline Inspection of the Company since November 2005, and the chairman of the trade union of the Company from March 2008 to January 2015; and has been appointed as a Supervisor of the Company since November 2012 and the vice chairman of the Supervisory Committee of the Company since April 2013.

Mr. Zhu obtained a bachelor's degree in law from Shanghai University (上海大學) in July 1987 in Shanghai and a master's degree in business administration jointly granted by Shanghai National Accounting Institute and Arizona State University in May 2008. Mr. Zhu obtained the title of senior economist through accreditation by the Shanghai Economics Senior Professional and Technical Title Qualification Evaluation Committee in February 1996.

Mr. Teng Tieqi (**滕鐵騎**), aged 59, is our Supervisor. He has previously served as a member of the preparatory group of FAW-Volkswagen Automobile Co., Ltd., (一汽大眾汽車有限公司) and was appointed the assistant to FAW Foreign Economic and Trade Branch in September 1991. Since February 1994, Mr. Teng has held various positions with the FAW Group Corporation (一汽集團公司), including the assistant general manager of FAW Group Corporation, the first deputy general manager of FAW Daewoo (一汽大宇), the deputy director of FAW Yantai Project Office and the head of the planning and finance department of FAW Group Corporation. Since November 1998, Mr. Teng has been appointed as a special manager and head of the planning and finance department of the FAW Group. Mr. Teng has been serving as the deputy general manager of China First Automobile Group Corporation (中國第一汽車集團公司) since August 2000 and has been serving as the chief accountant of China First Automobile Group Corporation since June 2005; as a Director of the Company from August 1999 to July 2006; and has been appointed as a Supervisor of the Company since July 2006. He served as the director of FAW Car Co., Ltd. (一汽轎車股份有限公司), a company listed on the Shenzhen stock Exchange (stock code: 000800), from December 2009 to August 2016 and the supervisor of Bank of Communications Co., Ltd. (交通銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601328) and the Hong Kong Stock Exchange (stock code: 3328), from June 2013 to June 2016, and hold position as the supervisor of Guosen Securities Co., Ltd. (國信證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002736), since September 2008.

Mr. Teng obtained a bachelor's degree and a master's degree in engineering from Jilin Industry University (吉林工業大學) in Changchun in June 1982 and July 1985, respectively.

Mr. Shao Chong (**邵崇**), aged 57, is our Supervisor. From August 1989 to December 1992, Mr. Shao worked as a cadre and then the deputy director of the Social and Economic Research Department of National Bureau of Statistics Research Institute. Mr. Shao then served as the deputy director of the preparatory office of Shenzhen Energy Corporation Shenzhen Energy Investment Co., Ltd. (深圳能源總公司深圳能源投資股份有限公司) from January 1993 to June 1993. Mr. Shao held various positions consecutively in Shenzhen Energy Investment Co., Ltd. (深圳能源投資股份有限公司) from June 1993 to January 2008, including general manager assistant, deputy general manager, executive deputy general manager, the secretary to board of directors, director and chief economist. Mr. Shao then served as the deputy director of the preparatory office of Binhai Power Plant Construction Office of Shenzhen Energy Group Co., Ltd. between January 2008 and August 2008, and as the director and the deputy general manager of CNOOC Shenzhen Natural Gas Co., Ltd. (中海石油深圳天然氣有限公司) between August 2008 and January 2015. Mr. Shao has been serving as the vice chairman of Great Wall Securities Co., Ltd. (長城證券有限責任公司) since April 2008. He has been appointed as a Supervisor of the Company since July 2006, and as the secretary of the board of Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000027) since January 2015.

Mr. Shao obtained a bachelor's degree and a master's degree in economics from Jilin University (吉林大學) in Changchun in July 1982 and May 1987, respectively. Mr. Shao further obtained a doctorate degree in economics from Chinese Academy of Social Sciences in December 1989 in Beijing. Mr. Shao obtained the title of senior economist through accreditation by Senior Professional Evaluation Committee of Shenzhen Economic Professionals of Guangdong Province in March 1994.

Mr. Zuo Zhipeng (左志鵬), aged 46, is our Supervisor. Mr. Zuo served as accountant of the finance division of Anqing Textile Factory (安慶紡織廠) from July 1989 to July 1994; and an assistant of the finance division head of AnHui HuaMao Textile Co., Ltd. (安徽華貿紡織有限公司) from July 1994 to July 1999. Mr. Zuo then has held various positions in AnHui HuaMao Textile Company Limited (安徽華貿紡織股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000850), since July 1999, including the chief financial officer, the general manager assistant, the deputy general manager, the board secretary and the general manager and the director. Mr. Zuo has also been serving as a director of Anhui HuaMao Group Co., Ltd. (安徽華貿集團有限公司) since March 2007. Mr. Zuo has been serving as the director of Xinjiang Lihua Cotton Industry Co., Ltd. (新疆利華棉業股份有限公司) since August 2011, the supervisor of Guotai Junan IM since April 2014, and has been appointed as a Supervisor of the Company since May 2016.

Mr. Zuo obtained a bachelor's degree in economics from the Anhui Institute of Finance and Commerce (安徽財貿學院) (currently known as the Anhui University of Finance and Economics (安徽財經大學)) in Bengbu in July 1989, and a MBA from Jinan University (暨南大學) in January 2011 in Guangzhou. Mr. Zuo was conferred the title of senior accountant by the Department of Personnel of Anhui Province in December 2001, and became a non-practicing member of the China Certified Public Accountant Association in December 2010.

Mr. Wang Weijie (汪衛傑), aged 53, is our employee representative Supervisor. Mr. Wang has previously worked as the chief accountant of the financial department of Shenzhen Cigarette Factory (深圳卷煙廠) from February 1993 to December 1993, and then as an accountant in the listing company department of Shenzhen Jinpeng Accounting Firm (深圳市金鵬會計師事務所) from December 1993 to March 1994. Except between November 1994 and January 1996 when Mr. Wang worked as the general manager of the financial department of Junan Securities Shandong Province Securities Company (君安證券山東省證券公司), Mr. Wang worked with Junan Securities between March 1994 to August 1999, where he consecutively held the positions of the deputy director of the auditing office, the deputy general manager of capital planning department, the general manager of Changsha sales department, and the general manager of the finance department. Mr. Wang then held various positions in the Company, including the assistant general manager and the manager of the planning and finance headquarters of our Shenzhen Branch between August 1999 to April 2000, the general manager of our planning and finance headquarters between April 2000 to January 2006, the executive chairman of the assets and liabilities management committee and team leader of the subsidiary management team from January 2006 to November 2011, the head of the Supervisory Committee office between November 2011 and December 2015, the head of discipline inspection and the supervision office since November 2011; and has been appointed as a Supervisor of the Company since November 2012, and the deputy secretary of the discipline inspection commission since February 2016. In addition, Mr. Wang has also been serving as the director for GTJA Allianz Funds since February 2010, and has been serving as the supervisor for Guoxiang Properties since November 2011.

Mr. Wang obtained a bachelor's degree in literature from Hefei United University (合肥聯合大學) in October 1985 in Hefei, and a master's degree in economics from Hunan University of Finance and Economics (湖南財經學院) in September 1999 in Changsha. Mr. Wang obtained the title of senior political officer through accreditation by the Shanghai Senior Professional and Technical Title Qualification Evaluation Committee for Ideological and Political Workers in November 2003.

Mr. Liu Xuefeng (**劉雪楓**), aged 52, is our employee representative Supervisor. Mr. Liu worked as an officer of the competent financial office and an accountant of the financial division successively at Northern China Nonferrous Metals Group of Anyang Geophysical Division (華北有色公司安陽物探大隊) between July 1987 to March 1991, and as the officer and then deputy section head at the finance office of Shijiazhuang Iron and Steel Plant Co., Ltd. (石家莊鋼鐵廠有限公司) between March 1991 to March 1997. Mr. Liu then served as a finance manager at Shijiazhuang sales department of Junan Securities between March 1997 and August 1999. Mr. Liu subsequently worked as the assistant general manager and the finance manager, and then deputy general manager of securities sales department of Shijiazhuang Jianhua South Street Branch of the Company between August 1999 to July 2002. Mr. Liu had consecutively held the positions of deputy general manager of Hebei operation and the sales headquarter from July 2002 to July 2005, and the deputy general manager and the general manager of the planning and the finance headquarter of the Company from July 2005 to February 2012. Mr. Liu has then served as the general manager of investigation and audit department of the Company since February 2012, a director of Guoxiang Properties since November 2011, and has been appointed as a Supervisor of the Company since November 2012.

Mr. Liu graduated from Hebei Metallurgical Workers' University (河北冶金職工大學) (currently known as Hebei College of Industry and Technology (河北工業聯業技術學院)) majoring in industrial accounting in July 1987 in Xuanhua City, and then from Hebei University (河北大學) majoring in political economics in July 2000 in Baoding City. Mr. Liu obtained a master's degree in business administration jointly granted by Shanghai National Accounting Institute and Arizona State University in May 2008.

SENIOR MANAGEMENT

Mr. Wang Song (**王松**) is our president. See "*—Directors*" for Mr. Wang's biography.

Mr. Zhu Jian (朱健), aged 45, is our vice president. Mr. Zhu worked at Shanghai Dazhong Taxi Co., Ltd. (上海大眾出租汽車股份有限公司) from July 1996 to December 1997 and successively held positions including the deputy head of general manager office and the secretary of the board. He subsequently served successively as a cadre and a deputy director level clerk at the corporate department of the Shanghai Securities and Futures Supervisory and Management Office and a deputy director level clerk and a director level clerk at the listed company division of CSRC Shanghai Securities Office from December 1997 to November 2000; a director level clerk and a deputy division head of the information research division of CSRC Shanghai Securities Office successively from November 2000 to March 2004; a deputy division head and division head of the information research division of CSRC Shanghai Branch from March 2004 and October 2004; the head of general office and the division head of the second institution division of CSRC Shanghai Branch from October 2004 to September 2008; an assistant of director general of CSRC Shanghai Branch from September 2008 to August 2010; and a deputy director general of CSRC Shanghai Branch from August 2010 to September 2016. Mr. Zhu has joined in the Company since September 2016 and has been appointed as our vice president since November 2016.

Mr. Zhu graduated from Fudan University in Shanghai with a master's degree in law in July 1996. He obtained a master's degree in business management from Shanghai Jiao Tong University in June 2013 in Shanghai.

Mr. Jiang Yiming (**蔣憶明**), aged 53, is our vice president. Mr. Jiang worked as the accountant of the accounting office of Nanjing College of Pharmacy (南京藥學院) (currently known as China Pharmaceutical University (中國藥業大學)) from July 1981 to September 1987, and then served as the financial manager for Shenzhen Yu Kang Solar Co., Ltd. (深圳宇康太陽能有限公司) from July 1990 to May 1993. Mr. Jiang then joined Junan Securities in May 1993, and held various positions until August 1999, including the deputy manager and then the manager of the financial department of Junan Securities, the deputy general manager of securities brokerage business department, the deputy general manager and then the general manager of fund planning department and the chief financial officer. Mr. Jiang then held various positions in the Company, including the deputy general manager of our Shenzhen Branch from August 1999 to September 2000, the chief accountant from September 2000 to November 2013, the general manager of the clearance headquarters from March 2004 to September 2005, and the chief financial officer from April 2003 to November 2016. Mr. Jiang has been appointed as the vice president of the Company since November 2013. Mr. Jiang has also been serving as a director of Guotai Junan Asset Management since August 2010.

Mr. Jiang obtained a master's degree in economics and a doctorate degree in management from Southwest University of Finance and Economics (西南財經大學) in Chengdu in June 1990 and December 2006, respectively. Mr. Jiang was conferred the accounting professional qualification certificate by the Ministry of Finance of the PRC in December 1992.

Mr. Chen Yutao (**陳煜濤**), aged 54, is our vice president and chief information officer. Mr. Chen served as deputy director of the management department of Shandong Textile Institute of Technology (山東紡織工學院) between August 1990 and July 1991, and as a lecturer in industrial economics department of Shanghai University of Finance and Economics from July 1991 to August 1992. Mr. Chen then worked as the manager of the department of Shanghai business of Shenzhen Special Economic Zone Securities Company (深圳經濟特區證券公司) from August 1992 to July 1993, a clerk of the research department of Guotai Securities from July 1993 to March 1994 and as the deputy general manager of the computer department of Guotai Securities from March 1994 to August 1999. Mr. Chen then held various positions in the Company, including the general manager of information technology headquarters from August 1999 to April 2003, the general manager of our Shenzhen Branch from April 2003 to September 2005, the general manager of retail customer headquarter from September 2005 to October 2008, and the general manager of human resources headquarter from October 2008 to July 2011, the chief engineer from July 2011 to July 2014, and has been appointed as the chief information officer since November 2013 and our vice president since November 2016.

Mr. Chen obtained a bachelor's degree in engineering from Jinling Institute of Technology (金陵科技學院) in March 1986 in Nanjing, and a master's degree in economics from Shanghai University of Finance and Economics in January 1988 in Shanghai.

Mr. Gong Dexiong (**龔德雄**), aged 47, is our vice president. Mr. Gong worked at the Pudong operating office of the securities department of Shanghai Trust from October 1992 to January 1995. Mr. Gong served successively as the deputy head of the Pudong operating office at the securities department, the section chief of the investment research section at the securities department, and the deputy manager of the securities department of Shanghai Trust from January 1995 to February 2001; the deputy general manager of Shanghai Securities from February 2001 to November 2011; the

chairman of Hicend Futures concurrently from July 2008 to November 2011; and the general manager of the financial management headquarters of International Group from November 2011 to March 2013. Mr. Gong worked as the general manager of Shanghai Securities from March 2013 to September 2015, the vice chairman of Shanghai Securities from May 2014 to November 2015, and the chief executive officer of Guotai Junan Asset Management from August 2015 to April 2016. Mr. Gong has been appointed as the chairman of Guotai Junan Asset Management since August 2015, the chairman of Shanghai Securities since May 2015, and a vice president of the Company since November 2016.

Mr. Gong obtained a bachelor's degree in law from East China University of Political Science and Law (華東政法大學) in Shanghai in July 1992, and a master's degree in business administration from China Europe Internal Business School in Shanghai in September 2008.

Ms. Liu Guifang (**劉桂芳**), aged 53, is the chief risk officer and the compliance officer of the Company. Ms. Liu was a teacher at Hubei Construction Material Industry College (湖北建材工業學校) from August 1983 to September 1986. Ms. Liu then served as an accountant and the head of audit department of Shenzhen Jinpeng Accounting Firm (深圳市金鵬會計師事務所) from July 1989 to August 1993; the director officer of the listing department and market supervisory department of Shenzhen Municipal Securities Administration Office (深圳市證券管理辦公室) from May 1994 to November 1998; and the director officer, the deputy division head of the institution supervisory division and the head of the first institution supervisory division of CSRC Shenzhen Branch from November 1998 to December 2008, successively. Ms. Liu has been appointed as our chief compliance officer since December 2008, served as our vice president from June 2011 to November 2016, has been appointed as our chief risk officer since March 2014 and has been serving as the chairman of Guoxiang Properties since January 2014.

Ms. Liu graduated from Shanghai Construction Material Industry Junior School (上海建材工業專科學校) majoring in finance and accounting in July 1983 in Shanghai, and obtained a master's degree in economics from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in November 1989 in Wuhan, and Ms. Liu was conferred the title of senior accountant by the Department of Personnel of Guangdong Province in January 1998.

Mr. Yu Jian (**喻健**) is the secretary to our Board and a joint company secretary. See "*— Directors*" for Mr. Yu's biography.

Mr. Xie Lebin (謝樂斌), aged 49, is our chief financial officer. Mr. Xie worked at the investment banking department of Wanguo Securities Co., Ltd. from July 1993 to March 1995. Mr. Xie subsequently served as an executive director of the investment banking department of Junan Securities from March 1995 to August 1999; a deputy general manager of the Shanghai investigation and auditing department of the Company from August 1999 to September 2000; a deputy general manager of the investigation and auditing headquarters of the Company from September 2000 to January 2006; the executive deputy general manager of the investigation and auditing headquarters of the Company from January 2006 to October 2008; the general manager of the investigation and auditing headquarters of the Company from October 2008 to February 2012; the general manager of the planning and finance

department of the Company from February 2012 to November 2015; and our deputy chief financial officer and the general manager of our planning and finance department from November 2015 to November 2016. Mr. Xie was appointed as our chief financial officer and concurrently as general manager of the planning and finance department since November 2016.

Mr. Xie obtained a bachelor's degree in economics from the Shanghai Fisheries University (上海水產大學) (currently known as the Shanghai Ocean University (上海海洋大學)) in Shanghai in July 1990, and a master's degree and a doctorate degree in economics from East China Normal University in Shanghai in July 1993 and June 2010, respectively. Mr. Xie was awarded the International Certified Internal Auditors' Certificate by the International Institute of Internal Auditors in November 2009.

Save as disclosed above, none of our Directors, Supervisors and senior management held any directorship in any public companies the shares of which are listed in Hong Kong or overseas stock markets during the three years prior to the date of this document.

To the best of the Board's knowledge, information and belief, our Directors, Supervisors and senior management do not have any relationship amongst them.

JOINT COMPANY SECRETARIES

Mr. Yu Jian (**喻健**) is our joint company secretary and also a member of our Board and senior management. See "— *Directors*" for Mr. Yu's biography.

Ms. Kwong Yin Ping Yvonne (鄺燕萍) is another joint company secretary of the Company and was appointed in November 2016 with her appointment to take effect on the [REDACTED] of our H Shares.

Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. Ms. Kwong is the president of SW Corporate Services Group Limited, a company focusing on the provision of listed company secretarial and compliance services. Ms. Kwong currently serves as the company secretary and/or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. Kwong obtained a bachelor's degree in accounting from Hong Kong Polytechnic University in November 1997. Ms. Kwong has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators since December 2012.

COMPETING INTERESTS

As of the Latest Practicable Date, save as disclosed in this document, none of our Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our business.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles and the corporate governance practice prescribed in the Hong Kong Listing Rules, we have formed four board committees, namely the Strategy Committee, the Risk Control Committee, the Audit Committee, the Remuneration Appraisal and Nomination Committee.

Strategy Committee

The Strategy Committee of the Company consists of four Directors, namely Mr. Yang Dehong, Mr. Fu Fan, Mr. Wang Yongjian and Mr. Ling Tao. Mr. Yang Dehong serves as chairman of the committee. The main responsibilities of the Strategy Committee of the Company include (but are not limited to):

- analyzing and providing recommendations on the mid- and long-term strategies of the Company;
- analyzing and providing recommendations on major investment and financing proposals subject to the Board's approval;
- analyzing and providing recommendations on other major matters affecting the development of the Company;
- checking and evaluating the implementation of the above matters, and making timely recommendations for adjustment; and
- other responsibilities authorized by the Board.

Risk Control Committee

The Risk Control Committee of the Company consists of five Directors, namely Mr. Fu Fan, Mr. Wang Song, Mr. Zhong Maojun, Mr. Liu Qiang and Mr. Ling Tao. Mr. Fu Fan serves as the chairman of the committee. The main responsibilities of the Risk Control Committee of the Company include (but are not limited to):

- reviewing the overall objectives and fundamental policies of risk management;
- reviewing the establishment and the duties of the risk management divisions;

- assessing the risks associated with significant business decisions and the solutions to address significant risks;
- reviewing the compliance and risk assessment reports; and
- reviewing the effectiveness of the Group's risk management and internal control systems.

Audit Committee

The Audit Committee of the Company consists of five Directors, namely Mr. Chen Guogang, Mr. Zhou Lei, Mr. Xiang Dong, Mr. Xia Dawei and Mr. Jin Qingjun. Mr. Chen Guogang serves as the chairman of the committee. The main responsibilities of the Audit Committee of the Company include (but are not limited to):

- supervising the annual audit work, making judgment on the authenticity, accuracy and completeness of the information in the audited financial reports before submitting to the Board for review;
- providing recommendations on engaging or changing external auditors, and supervising the performance of external auditors;
- responsible for the communication between internal auditors and external auditors; and
- other responsibilities delegated by the Board.

Remuneration Appraisal and Nomination Committee

The Remuneration Appraisal and Nomination Committee of the Company consists of four Directors, namely Mr. Xia Dawei, Mr. Wang Yongjian, Mr. Chen Guogang and Mr. Jin Qingjun. Mr. Xia Dawei serves as chairman of the committee. The main responsibilities of the Remuneration Appraisal and Nomination Committee include (but are not limited to):

- reviewing and advising on the selection criteria and procedures for the selection of Directors and senior management, identifying candidates for qualified Directors and senior management, reviewing and making recommendations on the qualifications of the candidates for directorship and senior management;
- reviewing and making recommendations on the assessment and remuneration management system for Directors and senior management;
- assessing the Directors and senior management and making recommendations; and
- other responsibilities delegated by the Board.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management members who receive emolument from the Company are remunerated in forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and others.

For the years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016, the total remuneration paid to our Directors amounted to RMB11.1 million, RMB12.3 million and RMB10.9 million, respectively.

For the years ended December 31, 2014, 2015 and the nine months ended September 30, 2016, the total remuneration paid to our Supervisors amounted to RMB10.8 million, RMB10.7 million and RMB6.6 million, respectively.

For the years ended December 31, 2014, 2015 and the nine months ended September 30, 2016, the total remuneration paid to our senior management amounted to RMB41.1 million, RMB38.4 million and RMB19.5 million, respectively.

For the years ended December 31, 2014, 2015 and the nine months ended September 30, 2016, none of the five highest paid individuals of the Company were Directors, Supervisors or senior management members. For the years ended December 31, 2014, 2015 and the nine months ended September 30, 2016, the total emoluments paid to the five highest paid individuals by the Group amounted to RMB63.6 million, RMB82.2 million and RMB63.0 million, respectively.

Under the arrangement currently in force, the total fixed remuneration (before tax) paid to our Directors and Supervisors for the year ended December 31, 2016 was approximately RMB6.4 million, and we estimate the total fixed remuneration (before tax) payable to our Directors and Supervisors for the year ending December 31, 2017 will be approximately RMB5.9 million.

During the Track Record Period, no fees were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Except for the seven non-executive Directors and Mr. Shi Derong, none of the Directors or Supervisors waived any remuneration during the relevant period.

The remuneration of our Directors, Supervisors and senior management is determined with reference to the remuneration paid by comparable companies and the achievement of major operating indicators of the Company. Fixed remuneration is determined with reference to the remuneration data provided by the professional management consultation company and position of the Company among its major competitors.

Save as disclosed in this document, none of our Directors, Supervisors and senior management holds any interest in the H Shares and A Shares as set out in Part XV of the Securities and Futures Ordinance, as of the Latest Practicable Date. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, save as disclosed herein, there is no additional matter

with respect to the appointment of the Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors and Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

EMPLOYEES

As of September 30, 2016, we had 10,565 employees. The remuneration packages of our employees primarily consist of salaries, discretionary bonuses and contributions to mandatory social security funds. As required by the relevant PRC regulations, we participate in various defined pension schemes for our employees, including those organized by provincial or municipal governments as well as supplemental pension schemes. Bonuses are generally discretionary and based on the overall performance of our business. For the years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016, we incurred staff costs of RMB5,407.0 million, RMB10,041.5 million and RMB5,618.5 million, respectively.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

JOINT COMPLIANCE ADVISORS

We have agreed to appoint Guotai Junan Capital Limited and Huarong International Capital Limited as our joint compliance advisors upon the Listing in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. The material terms of the joint compliance advisors' agreement are as follows:

(i) Guotai Junan Capital Limited and Huarong International Capital Limited shall act as our joint compliance advisors for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is earlier;

(ii) the joint compliance advisors will provide us with such services including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines;

(iii) the joint compliance advisors will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines; and

(iv) the joint compliance advisors will act as one of the key channels of communication of the Company with the Hong Kong Stock Exchange.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered capital of the Company was RMB7,625,000,000, comprising 7,625,000,000 A Shares of RMB1.00 each which were all listed on the Shanghai Stock Exchange.

	Number of Shares	Percentage of the issued share capital
A Shares	7,625,000,000	100%

Pursuant to the terms of the Convertible Bonds, assuming that the Convertible Bonds are fully converted at the minimum conversion price calculated based on the most recent audited net assets value per Share (i.e. RMB12.5 per A Share) (the "Minimum Conversion Price"), the share capital of the Company will increase by 560,000,000 A Shares. For further details of the CB Issuance, please see "*— CB Issuance*".

Upon completion of the [REDACTED]

i. Convertible Bonds Not Converted

Immediately after the [REDACTED], assuming that the [REDACTED] is not exercised and none of the Convertible Bonds is converted, the share capital of the Company would be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital
A Shares	[REDACTED]	[REDACTED]
H Shares to be converted from A Shares and transferred to the NSSF	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	**[REDACTED]**	**100%**

Immediately after the [REDACTED] and assuming that the [REDACTED] is fully exercised and none of the Convertible Bonds is converted, the share capital of the Company would be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Enlarged Issued Share Capital
A Shares	[REDACTED]	[REDACTED]
H Shares to be converted from A Shares and transferred to the NSSF	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	**[REDACTED]**	**100%**

ii. Convertible Bonds Fully Converted

Immediately after the [REDACTED], assuming that the [REDACTED] is not exercised and the Convertible Bonds are fully converted at the Minimum Conversion Price, the share capital of the Company would be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Enlarged Issued Share Capital
A Shares	[REDACTED]	[REDACTED]
H Shares to be converted from A Shares and transferred to the NSSF	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	**[REDACTED]**	**100%**

Immediately after the [REDACTED] and assuming that the [REDACTED] is fully exercised and the Convertible Bonds are fully converted at the Minimum Conversion Price, the share capital of the Company would be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Enlarged Issued Share Capital
A Shares	[REDACTED]	[REDACTED]
H Shares to be converted from A Shares and transferred to the NSSF	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	**[REDACTED]**	**100%**

CB Issuance

On May 19, 2016, the Shareholders' general meeting of the Company approved the issuance of the Convertible Bonds which are convertible into our A Shares. On December 12, 2016, in accordance with the authorization of the Shareholders' general meeting, the Board determined the aggregate principal amount of the CB Issuance to be no more than RMB7 billion. Assuming that the Convertible Bonds are fully converted at the Minimum Conversion Price, the Company will issue an additional 560 million A Shares.

On December 21, 2016, the Main Board Issuance Examination Committee of the CSRC reviewed and approved the CB Issuance and as of the Latest Practicable Date, the CB Issuance is still pending final approval by the CSRC. Pursuant to the relevant PRC laws, regulations and rules, the Convertible Bonds shall be issued within six months upon the approval of the CSRC.

The principal terms of the CB Issuance are as follows:

- **Principal amount**: No more than RMB7 billion. The actual aggregate principal amount shall be determined by the Board and the authorized persons of the Board (as authorized by the Shareholders' general meeting) within the limit of such amount.

- **Par value and issue price**: The Convertible Bonds carry a par value of RMB100 each and will be issued at par.

- **Tenure**: The tenure of the Convertible Bonds will be six years from the date of issuance.

- **Interest rate**: The method for determining the coupon rate of the CB Issuance and the final interest rate for each interest bearing year should be determined by the Board and the authorized persons of the Board, subject to the authorization at the Shareholders' general meeting, with reference to the PRC government policies, market conditions and the actual conditions of the Company prior to the CB Issuance and in consultation with the sponsor (the lead underwriter) of the CB Issuance.

- **Duration and method of interest payment**: The interest payment of CB Issuance shall be made once a year, and repayment of the principal and final year interest shall be made when due.

- **Conversion period**: The Convertible Bonds may be converted during the period from the first trading day immediately after six months from the date of issuance of the Convertible Bonds until the maturity date.

- **Determination and adjustment of the conversion price**: The initial conversion price of the CB Issuance shall not be lower than the average trading price of A Shares of the Company for the 20 trading days preceding the date of publication of the offering document (in the event that during such 20 trading days, the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend share price) and the average trading price of A Shares of the Company on the trading day preceding the date of the offering document of the Convertible Bonds. The actual initial conversion price shall be determined by the Board and authorized persons of the Board with reference to the market conditions, subject to the authorization at the Shareholders' general meeting and in consultation with the sponsor (the lead underwriter). Following the CB Issuance, on the occurrence of certain events that affect the share capital of the Company, such as distribution of share dividend, capitalization, issuance of new shares or allotment of shares and distribution of cash dividend (excluding any increase in the share capital as a result of conversion of the Convertible Bonds), the conversion price shall be adjusted accordingly.

- **Downward adjustment to the conversion price**: The conversion price may be subject to downward adjustments if, during the term of the Convertible Bonds, the closing prices of the A Shares in any 15 trading days out of any 30 consecutive trading days are lower than 80% of the prevailing conversion price, the Board may propose any such adjustments for the Shareholders to consider and seek their approval at a Shareholders' general meeting.

- **Dividend rights in the year of conversion**: The new Shares of the Company to be issued upon the conversion of the Convertible Bonds shall rank *pari passu* with all existing Shares, and all the shareholders whose names appear on the register of members at the market closing in the afternoon of the record date of dividend rights are entitled to dividend for the current period.

- **Subscription arrangement for existing holders of A Shares**: The CB Issuance will offer the existing holders of A Shares the preferential right to subscribe the Convertible Bonds. The actual amount of preferential allocation will be determined by the Board and the person authorized by the Board (as authorized by the Shareholders' general meeting) based on the market conditions before issuance, and will be disclosed in an announcement upon the CB Issuance. Any unallocated portion remaining after the preferential allocation to the existing holders of A Shares, and any portion for which the existing holders of A Shares have forgone their preferential right will be offered through a combination of offline placement to institutional investors and online issuance at the price determined through the online trading system of the Shanghai Stock Exchange, and the remaining balance shall be underwritten by the underwriting syndicates.

- **Use of proceeds**: The proceeds from the CB Issuance, after deducting the issue expenses, will all be used to replenish our working capital and develop our principal businesses, and to replenish our share capital upon conversion by the holders of the Convertible Bonds into A Shares.

- **Guarantee**: The Company will not provide guarantee for the CB Issuance.

- **Validity period for the resolution**: The resolution in relation to the CB Issuance is valid for 12 months from the date of the passing of the relevant resolutions at the Shareholder's general meeting.

CLASSES OF SHARES

Both H Shares and A Shares in issue are ordinary shares in our share capital upon completion of the [REDACTED]. Shanghai-Hong Kong Stock Connect, activated on November 17, 2014, and Shenzhen-Hong Kong Stock Connect, initiated on December 5, 2016, have established a stock connect mechanism between the PRC and Hong Kong. A Shares of the Company can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. H Shares of the Company can be subscribed or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If the H shares of the Company are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

All dividends on H Shares shall be paid in Hong Kong dollars whereas dividends on A Shares shall be paid in Renminbi.

A Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on rights of class of Shareholders, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares, the procedure of Share transfer and appointment of dividend receiving agents are set out in the Articles of Association, which is summarised in "*Appendix VII—Summary of Articles of Association*".

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the general meeting of Shareholders and by a class shareholders meeting of class Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and a class meeting are required are summarized in "*Appendix VII—Summary of Articles of Association*". However, the approval of separate classes of Shareholders is not required under the following circumstances:

(i) issue of A Shares and H Shares of not more than 20% of existing A Shares and H Shares respectively, either separately or concurrently, in a period of 12 months, pursuant to an approval by a special resolution of the general meeting;

(ii) plans of issuance of A Shares and H Shares upon establishment of the Company, provided that it is completed within 15 months from the date of an approval from the securities regulatory authority under the State Council or a specified period applicable provided under relevant requirements; or

(iii) listing of, and dealing in, overseas, the unlisted shares being held by the Company pursuant to an approval from the State Council or the securities regulatory authority under the State Council following the overseas issuance and listing of H Shares of the Company.

A Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made.

CONVERSION OF A SHARES INTO H SHARES

Upon completion of the [REDACTED], the share capital of the Company will consist of both A Shares and H Shares. If any holder of A Shares wishes to transfer its A Shares to overseas investors for listing and trading on Hong Kong Stock Exchange as H Shares, it must comply with the relevant regulations prescribed by, and obtain the approval of, the relevant PRC securities regulatory authorities, including the CSRC, for the conversion of the A Shares and the approval of Hong Kong Stock Exchange for the listing and trading of the converted H Shares.

Following the relevant approvals been granted, the holder of A Shares shall submit an application to us to deregister the A Shares to be converted from the A Share register, together with the relevant document(s) of title. Upon completion of the relevant legal and regulatory procedures, we will instruct the H Share Registrar to issue certificate(s) of such number of H Shares to the relevant holders of H Shares. Registration on our H Share register will be on the condition that (i) our H Share registrar informs the Hong Kong Stock Exchange that the entry of the relevant H Shares on the H Share register and the despatch of H Shares certificates have been completed, and (ii) the admission of the H Shares to the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.

As a result of the conversion, the shareholding of the relevant holders of A Shares in our A Share capital registered shall be reduced by the number of A Shares converted and the number of H Shares shall be increased by the corresponding number of H Shares. As of the Latest Practicable Date, save as disclosed in "*—Transfer of State-owned Shares to the NSSF*", the Directors were not aware of any intention of any holder of A Shares to convert all or part of their A Shares into H Shares.

TRANSFER OF STATE-OWNED SHARES TO THE NSSF

Pursuant to the Interim Measures of the State Council on the Management of Reduction of State-owned Shares and Raising Social Security Funds issued and effective on June 6, 2001, 59 state-owned Shareholders of the Company are required to transfer to the NSSF such number of A Shares equivalent to 10% of the total number of [REDACTED]. Accordingly, [REDACTED] A Shares (assuming the [REDACTED] is not exercised) or [REDACTED] A Shares (assuming the [REDACTED] is fully exercised) will be transferred by the relevant state-owned Shareholders (including but not limited to, International Group, Shanghai SA, International Group Asset Management, International Group Asset Operation, Shangguotou Assets Management and Shenzhen Investment Holdings) to the NSSF and converted into H Shares.

The A Shares as described above will be converted into H Shares on a one-for-one basis and such H Shares converted [will not] constitute part of the [REDACTED]. [None of those state-owned Shareholders and the Company will receive any proceeds from the transfer of H Shares to the NSSF or any subsequent disposal of such H Shares by the NSSF.] The transfer of state-owned Shares by the relevant state-owned Shareholders to the NSSF were approved by the SASAC of the State Council on January 11, 2017. Such conversion of A Shares into H Shares has been approved by the CSRC in its approval letter issued on [●].

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of A Shares is required for the Company to issue H Shares and seek the listing of H Shares on Hong Kong Stock Exchange. Such approval was granted at the Shareholders' general meeting held on October 24, 2016.

SUBSTANTIAL SHAREHOLDERS

As of December 31, 2016, the following persons directly or indirectly held, or are entitled to exercise the control of, 5% or more of our A Shares:

Shareholders	Nature of Interest	Class	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding
International Group	Legal and beneficial interest	A Shares	698,608,342	9.16%
	Interest held by controlled corporations[(1)]	A Shares	2,068,601,620	27.13%
Shanghai SA	Legal and beneficial interest	A Shares	1,949,347,453	25.57%
Shenzhen Investment Holdings.	Legal and beneficial interest	A Shares	624,071,941	8.18%

Note:

(1) Shanghai SA, International Group Asset Management, International Group Asset Operation and Shangguotou Assets Management held 25.57%, 0.54%, 0.01% and 1.01% of our A Shares, respectively. Each of Shanghai SA, International Group Asset Management and International Group Asset Operation is wholly-owned by International Group, and Shangguotou Assets Management is held as to 66.33% by International Group. Therefore, International Group is deemed to be interested in the A Shares held by Shanghai SA, International Group Asset Management, International Group Asset Operation and Shangguotou Assets Management for the purpose of the SFO.

Pursuant to the subsistence and spin-off of Shanghai Trust into (i) Shanghai Trust and (ii) the newly established Shangguotou Assets Management as approved by the CBRC in February 2015, the entire 1.01% A Shares held by Shanghai Trust are currently undergoing the process to be transferred to Shangguotou Assets Management. However, pursuant to the agreement between the parties, all rights, benefits and obligations of such A Shares have been assigned to Shangguotou Assets Management since June 30, 2014.

To the best of our Directors' knowledge and information, assuming the [REDACTED] is not exercised and none of the Convertible Bonds is converted, the following persons will, immediately following the completion of the [REDACTED], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Shareholders	Nature of Interest	Class	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding
International Group	Interest held by controlled corporations[(1)]	A Shares	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Shareholders	Nature of Interest	Class	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding
	Legal and beneficial interest	A Shares	[REDACTED]	[REDACTED]
	Legal and beneficial or other interest[(2)]	H Shares	[REDACTED]	[REDACTED]
Shanghai SA	Legal and beneficial interest	A Shares	[REDACTED]	[REDACTED]
Shenzhen Investment Holdings.	Legal and beneficial interest	A Shares	[REDACTED]	[REDACTED]
	Legal and beneficial or other interest[(2)]	H Shares	[REDACTED]	[REDACTED]

Notes:

(1) Shanghai SA, International Group Asset Management, International Group Asset Operation and Shangguotou Assets Management held [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% of our A Shares, respectively. Each of Shanghai SA, International Group Asset Management and International Group Asset Operation is wholly-owned by International Group, and Shangguotou Assets Management is held as to 66.33% by International Group. Therefore, International Group is deemed to be interested in the A Shares held by Shanghai SA, International Group Asset Management, International Group Asset Operation and Shangguotou Assets Management for the purpose of the SFO.

Pursuant to the subsistence and spin-off of Shanghai Trust into (i) Shanghai Trust and (ii) the newly established Shangguotou Assets Management as approved by the CBRC in February 2015, the entire [0.87%] A Shares held by Shanghai Trust are currently undergoing the process to be transferred to Shangguotou Assets Management. However, pursuant to the agreement between the parties, all rights, benefits and obligations of such A Shares have been assigned to Shangguotou Assets Management since June 30, 2014.

(2) Each of International Group and Shenzhen Investment Holdings will, by itself or through its nominee(s), subscribe for [[REDACTED]] and [REDACTED] H Shares, respectively, through the [REDACTED], subject to the appropriate waiver being granted by the Hong Kong Stock Exchange. *For details, please see Waivers From Strict Compliance with the Hong Kong Listing Rules — Subscription of H Shares by International Group and Shenzhen Investment Holdings.*

Save as disclosed in this document, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (and the [REDACTED] of any additional H Shares pursuant to the [REDACTED]), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, International Group controlled a total of approximately 36.29% of our issued share capital directly and indirectly through Shanghai SA, International Group Asset Management, International Group Asset Operation and Shangguotou Assets Management. Upon the Listing, International Group will directly and indirectly control a total of approximately [REDACTED]% of our then issued share capital (assuming the [REDACTED] is not exercised and the Convertible Bonds are not converted, and taking into account the amount of H Shares to be subscribed by International Group in the [REDACTED]). Therefore, International Group is and is expected to remain as our Controlling Shareholder immediately upon the Listing. See "*Share Capital*" for details of our shareholding structure.

DELINEATION OF BUSINESS BETWEEN US AND INTERNATIONAL GROUP

We believe that the businesses of International Group do not compete with our Principal Businesses save as disclosed below (as discussed below, there is no substantive competition between International Group and us).

Our Principal Businesses

As an independent listed group, our principal businesses including institutional finance, personal finance, investment management and international business (the "Principal Businesses"). For further details, see "*Business—Our Principal Business Lines*". Our business in China is mainly regulated by the CSRC, while our business in Hong Kong is mainly regulated by the SFC. We are the only securities company controlled by International Group (except for our subsidiary Shanghai Securities).

Principal Businesses of International Group

International Group is a state-owned capital operation platform under Shanghai SASAC. The enterprises that it invests in are engaged in financial business (including but not limited to banking, securities, funds, trusts and currency brokers) and non-financial business. For the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, International Group recorded total operating revenue of RMB4.04 billion, RMB3.72 billion and RMB0.77 billion, respectively, and net profits of RMB6.00 billion, RMB10.89 billion and RMB8.37 billion, respectively.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Companies controlled by International Group with business similar to some business lines of the Group

As of the Latest Practicable Date, the companies of which International Group is a controlling shareholder with business similar to some business lines (i.e. direct investment/equity investment-business) of the Group (the "Controlled Entities") are as follows:

Company	International Group's Interest	Business
Shanghai Guoxin Investment and Development Co., Ltd. ("Shanghai Guoxin Investment")	a 100% interest by its subsidiary Shanghai SA	Investment and investment management, investment consultation, financial consultation, and domestic trade
Sailing Capital Management Co., Ltd. ("Sailing Capital")	a 36.36% direct interest	Equity investment management, equity investment, investment management and investment consultation
GP Capital Co., Ltd. ("GP Capital")	a 49.5% interest by its subsidiary International Group Asset Management	Equity investment funds management, equity investment and investment consultation
Shanghai Guohe Modern Service Industry Equity Investment Management Co., Ltd. ("Shanghai Guohe Capital")	a 45% interest by its subsidiary International Group Asset Management	Equity investment management, proprietary funds management and investment consultation
Guotai Junan IM	a 33.14% interest by its subsidiary Shanghai SA; a 0.016% interest by its subsidiary Shangguotou Asset Management; and a 0.025% interest by its subsidiary International Group Asset Operation	Asset management, corporate investment and business consulting. Shanghai Guoshi Investment Management Co., Ltd. ("Shanghai Guoshi Investment"), a subsidiary of Guotai Junan IM, is primarily engaged in direct equity investment and enterprise management consulting.

We conduct our direct investment business through our subsidiary Guotai Junan Innovation Investment.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER

Guotai Junan Innovation Investment is our wholly-owned subsidiary and is primarily engaged in direct investment business. For more information about Guotai Junan Innovation Investment, see "*Business*". The following table sets out the relevant financial information of Guotai Junan Innovation Investment:

	As at December 31/ For the year ended December 31,		As at June 30/For the six months ended June 30
	2014	2015	2016
		(RMB millions)	
Total assets	1,819.28	5,413.78	7,047.91
Total revenue	46.73	172.72	117.92
Net profit	18.70	40.03	64.99

Although the Controlled Entities and our wholly-owned subsidiary Guotai Junan Innovation Investment all carry out certain direct investment/equity investment business, given the reasons mentioned below and the non-competition undertakings given by International Group and Shanghai SA as described in "*—Non-Competition Arrangement*" below, we believe there is no substantive competition between the Controlled Entities and us.

Overview of the Controlled Entities

Shanghai Guoxin Investment

Shanghai Guoxin Investment is an investment company incorporated in the PRC with a registered capital of RMB2.0 billion. Shanghai Guoxin Investment is principally engaged in investment, investment management and financial consultation. Shanghai Guoxin Investment also conducts industrial investment and venture capital investment through its subsidiary Shanghai Zhenghai Guoxin Investment Center (上海正海國鑫投資中心), which is owned as to 99.9929% by Shanghai Guoxin Investment by Shanghai Guoxin Investment and as to 0.0071% by an Independent Third Party.

As of the Latest Practicable Date, Shanghai Guoxin Investment was an indirect wholly-owned subsidiary of International Group.

The following table sets out the relevant financial information of Shanghai Guoxin Investment[(1)]:

	As at December 31/ For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
		(RMB millions)	
Total assets	9,477.71	10,397.08	11,085.38
Operating revenue	0.18	0.04	13.92
Net profit	301.52	403.87	264.86

Sailing Capital

Sailing Capital is an equity investment management company incorporated in the PRC with a registered capital of RMB280.5 million. Sailing Capital is principally engaged in equity investment fund management, equity investment, investment management and investment consultation.

As of the Latest Practicable Date, 36.36% of the equity interest of Sailing Capital was directly owned by International Group. Sailing Capital is classified as long-term equity investment in the consolidated financial statements of International Group.

The following table sets out the relevant financial information of Sailing Capital[(2)]:

	As at December 31/ For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
		(RMB millions)	
Total assets	511.04	560.45	590.75
Operating revenue	238.32	281.08	141.38
Net profit	89.75	111.02	62.75

GP Capital

GP Capital is an equity investment company incorporated in the PRC with a registered capital of RMB120 million. GP Capital is principally engaged in equity-investment-fund management, equity investment and investment consultation.

As of the Latest Practicable Date, 49.5% of the equity interest of GP Capital was owned by International Group through its wholly-owned subsidiary, International Group Asset Management. GP Capital is classified as long-term equity investments in the consolidated financial statements of International Group.

Notes:

(1) Prepared based on the CAS.

(2) Same as above.

The following table sets out the relevant financial information of GP Capital[(3)]:

	As at December 31/ For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
		(RMB millions)	
Total assets	184.9	315.9	328.2
Operating revenue	109.4	93.3	45.8
Net profit	18.7	19.7	10.4

Shanghai Guohe Capital

Shanghai Guohe Capital is an equity investment company incorporated in the PRC with a registered capital of RMB100 million. Shanghai Guohe Capital is principally engaged in equity investment management, equity investment and investment consultation.

As of the Latest Practicable Date, 45% of the equity interest of Shanghai Guohe Capital was owned by International Group through its wholly-owned subsidiary, International Group Asset Management. Shanghai Guohe Capital is classified as long-term equity investments in the consolidated financial statements of International Group.

The following table sets out the relevant financial information of Shanghai Guohe Capital[(4)]:

	As at December 31/ For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
		(RMB millions)	
Total assets	87.3	114.1	125.3
Operating revenue	61.8	76.1	38.4
Net profit	5.4	19.5	12.0

Guotai Junan IM

Guotai Junan IM is a company incorporated in the PRC with a registered capital of RMB1,375.83 million and is primarily engaged in businesses where no specific licenses are required, including asset management, corporate investment and business consulting. Guotai Junan IM was spun off from the Company in August 2001. For more information about Guotai Junan IM, see "*History and Corporate Structure*". Guotai Junan IM also conducts direct equity investment and enterprise management consulting through its subsidiary Shanghai Guoshi Investment in which it had a 70.09% equity interest as of the Latest Practicable Date.

Notes:

(3) Prepared based on the CAS.

(4) Same as above.

As of the Latest Practicable Date, Guotai Junan IM was controlled to as to 33.18% in aggregate by International Group through its subsidiaries Shanghai SA, Shangguotou Asset Management and International Group Asset Management and as to 11.49% by Shenzhen Investment Holdings.

The following table sets out the relevant financial information of Guotai Junan IM[(5)]:

	As at December 31/ For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
		(RMB millions)	
Total assets	2,742.09	2,644.39	2,726.43
Operating revenue	63.48	76.98	7.07
Net profit	41.67	44.03	1.01

Delineation of business

The direct investment / equity investment business of the Controlled Entities and us are clearly delineated and there is no substantive competition.

- **Different investment positioning by International Group and us:**

Shanghai Guoxin Investment, as an indirect wholly-owned subsidiary of International Group, is positioned to represent its parent company, which is a state-owned shareholder, to identify premium investment opportunities and realize the goals of value preservation and appreciation of state-owned properties. Sailing Capital, GP Capital, Shanghai Guohe Capital and Guotai Junan IM are not subsidiaries of International Group, and International Group only benefited from the development of such companies through the exercise of its rights as a shareholder.

Guotai Junan Innovation Investment, as the subsidiary of us, a securities company, is positioned to serve as our integrated investment platform, invest in domestic and foreign promising enterprises through direct investments with its own funds or establishing investment funds to raise funds, and collaborate with our various business departments to provide our core customers with comprehensive financial services.

- **Characteristics of relevant markets:**

The PRC direct investment market is open and sizable, and it is able to accommodate a very large number of participants. It is very common for a company to undertake equity investment in the market. A company does not need to obtain any license to carry out direct investment, except for approvals pursuant to industry-specific requirements of the industry to be invested in. As such, we believe any competition between the Controlled Entities and us are of no difference from competition encountered by us with any Independent Third Party.

Notes:

(5) Prepared based on the CAS.

- **No conflict of interests:**

Guotai Junan Innovation Investment has a sound information confidentiality protection system in place to prevent information leakage. International Group and its subsidiaries do not participate in the daily operation of any of the Controlled Entities, and they exercise their rights as shareholders through appointment of directors to these companies. As of the Latest Practicable Date, Mr. Fu Fan, a non-executive Director, is the chairman of the board of directors of Sailing Capital; Ms. Liu Ying, a non-executive Director, is a director of Sailing Capital and GP Capital; Mr. Zhong Maojun, a non-executive Director, is a director of Sailing Capital; and Mr. Zhou Lei, a non-executive Director, was also the president of the board of directors of Shanghai Guoxin Investment. Notwithstanding the overlapping directors, after considering the factors discussed above, we believe the business, staff, assets, institutional framework and finance of the aforesaid companies are all independent from each other.

- **The business and financial contributions of relevant businesses of the Controlled Entities to International Group and of Guotai Junan Innovation Investment to the Group are insignificant:**

  — The following table sets out the percentage ratios of total assets, operating revenue and net profits of Shanghai Guoxin Investment against total assets, operating revenue and net profits of International Group respectively during the relevant period:

	As at December 31/For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
Total assets	6.51%	4.50%	4.65%
Operating revenue	0.0045%	0.0010%	1.8109%
Net profits	5.02%	3.71%	3.16%

  — The following table sets out the percentage ratios of total assets, operating revenue and net profits of Sailing Capital attributable to International Group against total assets, operating revenue and net profits of International Group respectively during the relevant period:

	As at December 31/For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
Total assets	0.13%	0.09%	0.09%
Operating revenue	2.14%	2.74%	6.69%
Net profits	0.54%	0.37%	0.27%

— The following table sets out the percentage ratios of total assets, operating revenue and net profits of GP Capital attributable to International Group against total assets, operating revenue and net profits of International Group respectively during the relevant period:

	As at December 31/For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
Total assets	0.06%	0.07%	0.07%
Operating revenue	1.34%	1.24%	2.95%
Net profits	0.15%	0.09%	0.06%

— The following table sets out the percentage ratios of total assets, operating revenue and net profits of Shanghai Guohe Capital attributable to International Group against total assets, operating revenue and net profits of International Group respectively during the relevant period:

	As at December 31/For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
Total assets	0.03%	0.02%	0.02%
Operating revenue	0.69%	0.92%	2.25%
Net profits	0.04%	0.08%	0.06%

— The following table sets out the percentage ratios of total assets, operating revenue and net profits of Guotai Junan IM attributable to International Group against total assets, operating revenue and net profits of International Group respectively during the relevant period:

	As at December 31/For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
Total assets	0.62%	0.38%	0.38%
Operating revenue	0.52%	0.69%	0.30%
Net profits	0.23%	0.13%	0.003%

— The following table sets out the percentage ratios of total assets, total revenue and net profits of Guotai Junan Innovation Investment against total assets, total revenue and net profits of the Group respectively during the relevant period:

	As at December 31/For the year ended December 31,		As at June 30/ For the six months ended June 30
	2014	2015	2016
Total assets	0.57%	1.19%	1.69%
Total revenue	0.19%	0.33%	0.64%
Net profits	0.26%	0.24%	1.05%

The information above shows that, the relative contributions of the Controlled Entities to the overall business size and financial significance of International Group are limited, and such contribution of Guotai Junan Innovation Investment to us is also limited. As such, we believe that any potential competition which Guotai Junan Innovation Investment will face as a result of the business of the Controlled Entities will have very limited and insignificant impact on the Group's overall business.

Other companies of which International Group is a substantial shareholder with business similar to some business lines of the Group

As of the Latest Practicable Date, companies in which International Group was directly or indirectly interested in 10% or more but less than 30% in aggregate in their issued share capital and which are engaged in business similar to some business lines of the Group are as follows:

Company	International Group's Interest	Business
SPD Bank	International Group and its subsidiaries Shangguotou Assets Management, Shanghai Guoxin Investment and International Group Asset Management hold 26.55% of the equity interest in aggregate	Commercial bank
Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) ("SRCB")	International Group and its subsidiaries Shanghai SA and International Group Asset Management hold 20.02% of the equity interest in aggregate	Commercial bank

Given International Group is a state-owned capital operation platform, we believe that International Group has no control over the above companies, neither does it control the board of directors of such companies nor participates in the daily operations of such companies, and the businesses of such companies do not compete with our Principal Businesses.

Overview of the companies

Details of the aforesaid companies are as follows:

SPD Bank and SRCB

SPD Bank is a joint stock commercial bank listed on the Shanghai Stock Exchange (stock code: 600000). It provides a broad range of corporate and retail banking products and services. SPD Bank is mainly regulated by the PBOC and the CBRC. SPD Bank is classified as available-for-sale financial assets in International Group's financial statements.

SRCB is a joint stock commercial bank and provides corporate and retail banking products and services. SRCB is mainly regulated by the PBOC and the CBRC. SRCB is classified as available-for-sale financial assets in International Group's financial statements.

Delineation of business

It is a regulatory requirement in the PRC that banking business and securities business must be operated and managed separately. Unless otherwise permitted by the PRC laws and regulations, SPD Bank and SRCB are not allowed to engage in any securities business. As such, we do not have any interests in SPD Bank or SRCB and we do not operate commercial banking business. International Group neither participates in our daily operations nor the daily operations of SPD Bank or SRCB. Furthermore, there is no common director or senior management between SPD Bank or SRCB and the Group. As such, we believe that there is no competition between SPD Bank or SRCB and us. Set out below are details of certain businesses of SPD Bank and SRCB that have some similarities with certain business lines of us.

SPD Bank's business in Hong Kong

SPDB International, a wholly-owned subsidiary of SPD Bank, is engaged in finance-related businesses in Hong Kong through its two subsidiaries. The licenses held by those two companies include type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management). On the other hand, Guotai Junan Financial Holdings, a wholly-owned subsidiary of us, carries out various regulated activities in Hong Kong through six subsidiaries. The licences of those six companies include Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 3 (leverage foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management). As of the Latest Practicable Date, there was no common director or senior management between SPDB International and Guotai Junan Financial Holdings.

For Guotai Junan Financial Holdings, its total revenue for the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016 represented only approximately 5.85 %, 4.01% and 5.85%, respectively, of our total revenue. For the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, the net profits of Guotai Junan Financial Holdings represented approximately 8.54%, 4.37% and 6.92%, respectively, of our net profits. As of December 31, 2014 and 2015 and June 30, 2016, the total assets of Guotai Junan Financial Holdings represented

approximately 6.35%, 7.61% and 9.86%, respectively, of our total assets. The above shows that the financial contribution of Guotai Junan Financial Holdings to us is relatively limited. As such, we believe that any potential competition Guotai Junan Financial Holdings will face as a result of the business of SPDB International will have little impact on the Group's overall business.

In addition, the Hong Kong securities market is of a significant scale and can accommodate a large number of market participants. It is common for multiple financial service providers to provide services to a client or a group of clients in the same transaction. As such, we consider that any potential competition between SPDB International and Guotai Junan Financial Holdings is of no difference from any competition between Independent Third Parties and us in the Hong Kong securities market.

Trust business controlled by SPD Bank

Shanghai Trust, a subsidiary of SPD Bank, is a trust company incorporated in the PRC with a registered capital of RMB5.0 billion. As of the Latest Practicable Date, SPD Bank directly held a 97.33% equity interest in Shanghai Trust. Shanghai Trust is principally engaged in trust business which is regulated by the CBRC.

Although Shanghai Trust carries out trust business for the benefit of its clients, which is similar to our assets management business in some aspects, the trust business and the assets management business of securities companies are different in business nature and operation model. In the PRC, trust business and assets management business of securities companies follow different operating and management principles, and trust business and assets management business of securities companies are regulated by CBRC and CSRC, respectively. In addition, the market of entrusted assets management business is very broad. Entities such as commercial banks, securities companies, trust companies, fund management companies and private equity fund management companies and other independent financial advisors are all allowed to carry out such kind of business. While SPD Bank holds a 97.33% equity interest in Shanghai Trust, International Group only controls a 26.55% equity interest in SPD Bank. In addition, there is no common director or senior management between Shanghai Trust and the Company. We consider there is no competition between Shanghai Trust and us.

Mutual fund business controlled by SPD Bank

As of the Latest Practicable Date, SPD Bank held a 97.33% equity interest in Shanghai Trust, which in turn held a 51% equity interest in CIFM. CIFM is a fund management company conducting fund raising, fund sales, asset management and other businesses approved by the CSRC.

We carry on our fund business through our subsidiary, GTJA Allianz Funds. As of the Latest Practicable Date, we held a 51% equity interest in GTJA Allianz Funds and Allianz AG, an Independent Third Party, held the other 49% equity interest in GTJA Allianz Funds. In January 2017, we began to dispose our equity interest in GTJA Allianz Funds through the public listing and sale process.

In addition, Guotai Junan Innovation Investment have entered into agreements with Shanghai Electric, an Independent Third Party to acquire its 20% equity interest in HuaAn Funds, the completion of which is still subject to the approval of CSRC as at the Latest Practicable Date. For more information about the Acquisition of HuaAn Funds, see "*History and Corporate Structure*". As at the Latest Practicable Date, each of Guotai Junan IM and Shangguotou Assets Management respectively controlled 20% equity interest in HuaAn Funds. Upon completion of the aforesaid transactions, HuaAn Funds will be jointly held by us and subsidiaries of / enterprises invested by International Group and we do not hold interests in any other mutual fund companies.

Currency brokerage business controlled by SPD Bank

As of the Latest Practicable Date, Shanghai Trust, a subsidiary of SPD Bank, held a 67% equity interest in Tullett Prebon SITICO (China) Ltd. (上海國利貨幣經紀有限公司). Tullett Prebon SITICO (China) Ltd. is principally engaged in currency brokerage business and holds a license for financial business issued by the CBRC. Since we do not hold any licence issued by the CBRC, and Tullett Prebon SITICO (China) Ltd. does not hold a securities license either, we believe there is no competition between Tullett Prebon SITICO (China) Ltd. and us.

Other investments by International Group

Other members of International Group may also carry out certain businesses similar to ours (such as capital operation, assets acquisition and capital management). However, those businesses are not required to obtain licenses from the securities regulators, and those businesses are different from those operated by the Company in business nature, business operation model and regulatory regime. As a state-owned capital operation platform, International Group carries out capital operation and assets acquisition businesses through its relevant subsidiaries for the purpose of managing and operating state-owned assets. However, we carry out capital operation and assets management businesses as intermediary services to our clients. In addition, International Group, as a state-owned capital operation platform, is focused on the operation and management of its proprietary business, while the subjects of our assets management business are mostly entrusted assets for our clients.

Member companies of International Group which are engaged in other industries (such as in areas of real estate and port services) may from time to time participate in financial-related activities (such as equity investment and fund management), but such activities are intended to better support the development of their respective principal businesses. In view of the difference between the respective principal businesses of us and such member companies (in terms of business scope and major market focus) and the nature, extent and causes of participation in such activities and businesses, we consider that there is no competition between us and such companies.

The Group has adopted a strict system to separate risks and to manage the conflict of interests. We also have strengthened our ability to deal with sensitive information and to prevent unregulated circulation of internal information among our shareholders, clients and working staff. International Group and companies controlled/invested in by International Group also have their own information screening wall policies. We believe that those information protection measures could help to effectively diminish the conflict of interests as the business develops.

In light of the above and the non-competition undertaking given by International Group as described in "*Non-Competition Arrangements*" below, we believe that there is no competition between those companies and us.

Our business relationship with International Group

We and International Group and/or its associates from time to time provide to each other securities and financial products and services in our respective ordinary course of business, provided under the Securities and Financial Products and Services Framework Agreement as disclosed in the "*Connected Transactions*". Such transactions are based on normal commercial terms. For further details of the collaborative relationship between International Group and us, see "*—Business independence*" below.

Notwithstanding the above, we conduct our business independently from International Group and its subsidiaries in terms of operation, finance and management. For further details, see "*—Independence from International Group*" below.

INDEPENDENCE FROM INTERNATIONAL GROUP

Having considered the factors set out below, we believe that we can conduct our business independently from International Group and its subsidiaries following the [REDACTED].

Operational independence

Integrity of assets

We have independent and complete assets relating to the operation of our securities business, including ownerships or use rights of lands, buildings and intellectual properties such as trademarks and domain names. Our assets are completely separated from the assets of International Group and other entities controlled by it and there are no misappropriation of the Company's funds, assets and other resources by International Group and other entities controlled by it.

Business independence

We hold all relevant licenses and permits for conducting our business. We have our own customers whom we communicate with, serve and maintain relationship with independently. We own or have the right to use all the operational facilities and technologies relating to our business and have sufficient capital, facilities and employees to operate our business independently.

We have from time to time entered into securities and financial transactions with International Group and its associates. We and International Group and its associates also provide securities and financial products as well as financial services to each other. The revenue generated from our provision of such financial services all accounted less than 0.01% of the total revenue of the Group for the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016. Further, those products or services are not provided exclusively to or sourced exclusively from International Group and its subsidiaries and the transactions are conducted based on an arm's length

negotiation in the ordinary course of business of us and International Group and its subsidiaries. For further details, see "*Connected Transactions—Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements—Principal terms*". Notwithstanding the aforesaid transactions, our business operations are independent from that of International Group and other entities controlled by it and are not interfered or controlled by International Group and other connected persons of us and the integrity and independence of our business operations are not adversely affected by the connected relationships between us and International Group and other connected persons of us.

Operation structure independence

We have our own operational structure comprising various departments that function and make decisions independently from International Group. We maintain comprehensive internal control system and have adopted sound corporate governance practices that satisfy the legal and regulatory requirements, including setting the rules of procedures for general meetings, board meetings and supervisory committee meetings, as well as rules for connected transaction administrations.

We have appointed our own senior management personnel, including president, vice president, chief compliance officer, chief financial officer, chief risk officer, chief information officer and secretary to the Board. We have also established sound internal operation and management structures as per our own needs and exercise our operation and management powers independently through our own functional departments which do not have affiliated relationships with the functional departments of International Group and overlapping organizational structures with International Group and other entities controlled by it. We can formulate and execute operational decisions independently.

In light of the above, we believe that our operations are independent from International Group.

Financial independence

Our finance department is independent from International Group and comprises of independent financial personnel. It is responsible for handling our financial matters, cash management and fund-raising from third parties. There is no sharing of common financial personnel between us and International Group and/or its subsidiaries. We have established an independent and comprehensive financial reporting, budgeting, management and financing system.

In addition, the Group does not rely on International Group and/or its close associates for provision of financial resources. Regarding the loans provided by International Group and its associates for the Group during the Track Record Period, the transactions were based on prevailing market price or rate in the ordinary and usual course of business and were conducted according to applicable and normal market usual practice and on normal commercial terms. There were no other outstanding guarantees and loans provided by International Group to us as at the Latest Practice Date. We believe that we are capable of obtaining financing from external sources without reliance on International Group.

As mentioned above, we believe that we are financially independent from International Group.

Management independence

According to our Articles of Association, immediately upon Listing, the Board should comprise of 17 Directors, including six independent non-executive Directors. Four members of our Board, namely Mr. Fu Fan, Ms. Liu Ying, Mr. Zhong Maojun and Mr. Zhou Lei, are also directors or senior management of International Group and/or its major subsidiaries. Details are as follows:

Name of Director	Position held in the Company	Position held in International Group and/or its major subsidiaries
Mr. Fu Fan (傅帆)	Non-executive Director of the Company	• A director and vice president of International Group; • Chairman of the board of directors of Shanghai SA
Ms. Liu Ying (劉櫻)	Non-executive Director of the Company	• A director and the chief investment officer of International Group
Mr. Zhong Maojun (鐘茂軍)	Non-executive Director of the Company	• A director and the chief operation officer of International Group
Mr. Zhou Lei (周磊)	Non-executive Director of the Company	• The vice chairman of the board of directors and general manager of Shanghai SA

Despite the overlapping positions as mentioned above, we believe that we and International Group can remain independent from each other for the following reasons:

(i) The four directors above are not involved in our or any of our subsidiaries' daily operations;

(ii) The Rules of Procedures of our Board have provisions for the avoidance of conflict of interests in the decision-making process, which include but are not limited to the following: (a) if the relevant proposal under the Board resolution might lead to a conflict of interests between International Group and/or its subsidiaries and ourselves, the Director(s) related to International Group and/or its subsidiaries will abstain from voting. Our Directors believe that the remaining Directors have sufficient industry knowledge and business experience to make decisions and monitor such transactions even if the conflicted Director(s) abstain from voting; (b) when connected transaction(s) are being considered, independent non-executive Directors shall give their independent opinions to the Board on the relevant connected transaction(s) in accordance with the Hong Kong Listing Rules;

(iii) Upon Listing, we have six independent non-executive Directors (which meets the requirements of the Hong Kong Listing Rules) to protect the interests of the Company and our shareholders as a whole;

(iv) Our Directors are well aware of their fiduciary duties which, among other things, require them to act in the best interests of the Company and our shareholders as a whole; and

(v) Senior management personnel of the Company do not hold any positions and receive remunerations from International Group and other entities controlled by it. The financial personnel of the Company do not hold concurrent positions in International Group and other entities controlled by it.

In light of the above, we believe that our management team is independent from International Group.

NON-COMPETITION ARRANGEMENTS

For the purpose of the listing of our A Shares on the Shanghai Stock Exchange in 2015, International Group and Shanghai SA provided two non-competition undertakings in December 2012 and in April 2014 respectively, whereby International Group and Shanghai SA undertook that during the period from the date of the completion of the initial public offering of A Shares until they cease to be our controlling shareholder and/or "*de facto* controller" (as defined by rules issued by the CSRC or Shanghai Stock Exchange from time to time or applicable PRC laws), they will not control or *de facto* control more than one securities company according to the relevant requirements of the CSRC.

[On [●], 2017, International Group further undertook that, from the date of the Listing until it ceases to be our Controlling Shareholder (as defined under the Hong Kong Listing Rules in force from time to time):

1. it will not control any new securities company through establishment or acquisition;

2. upon Listing, for businesses conducted by the non-securities companies controlled by International Group that are similar to the business lines of securities companies, we will make sufficient disclosure in accordance with applicable laws and regulations and relevant requirements of stock exchanges/where our Shares are listed; and

3. it shall not prejudice the interest of us or the other Shareholders by taking advantage of its position as our Controlling Shareholder.]

OVERVIEW

Upon Listing, the directors (including persons who were directors in the last 12 months), supervisors and chief executives of the Company and its subsidiaries (apart from insignificant subsidiaries) and their respective associates will become our connected persons (as defined under Chapter 14A of the Hong Kong Listing Rules). In addition, at the Latest Practicable Date, International Group directly and indirectly controlled approximately 36.29% of our total issued share capital and will directly and indirectly control approximately [REDACTED]% of our total issued share capital immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Convertible Bonds are not converted, and taking into account the number of H Shares to be subscribed by International Group in the [REDACTED]). Therefore, International Group is and will continue to be our Controlling Shareholder upon Listing. In addition, Shanghai Securities, a 51%-owned subsidiary of us, is controlled directly and indirectly as to 49% in aggregate (excluding equity interest held through us) by International Group and is therefore an associate of International Group and a connected subsidiary of us.

We have in the past conducted certain transactions with the above individuals and entities that will become our connected persons (as defined under Chapter 14A of the Hong Kong Listing Rules) upon the Listing. Some transactions will continue after the Listing and will therefore constitute our continuing connected transactions under the Hong Kong Listing Rules.

As our A Shares are listed on the Shanghai Stock Exchange, we will continue to be subject to and regulated by the SSE Listing Rules and other applicable laws and regulations in the PRC so far as our A Shares remain listed. The requirements of the Hong Kong Listing Rules in relation to connected transactions are different from those of the SSE Listing Rules. In particular, the definition of connected person under the Hong Kong Listing Rules is different from the definition of related party under the SSE Listing Rules. Therefore, a connected transaction under the Hong Kong Listing Rules may or may not constitute a related party transaction under the SSE Listing Rules, and vice versa.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Provision of securities and futures brokerage, wealth management and asset management services and sales of financial products (the "Financial Transactions") to directors (including persons who were directors in the last 12 months), supervisors, chief executives and their respective associates

We conduct the Financial Transactions with our clients, including our directors (including persons who were directors in the last 12 months), supervisors, chief executives and their respective associates (all of whom are our connected persons) in our ordinary course of business, in accordance with the applicable laws and regulations. The terms and conditions of the Financial Transactions we offered to such connected persons are on normal commercial terms similar to those offered to independent third parties. It is expected that we will continue to conduct the Financial Transactions with such connected persons after Listing, and the Financial Transactions will constitute our continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Taking into account the revenue derived from our provision of financial services to or the relevant cash inflow and outflow related to our sales of financial products to the aforesaid connected persons in the past (whichever is applicable), our Directors currently expect that all the relevant percentage ratios calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% or 1% (for connected persons at the subsidiary level) on an annual basis. Therefore, such transactions are de minimis transactions and, pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules, will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

If the highest applicable percentage ratio calculated based on our revenue derived from or the relevant inflow and outflow amounts related to the Financial Transactions (as applicable) with any connected person exceeds the de minimis threshold stipulated under the Hong Kong Listing Rules, we will comply with the applicable requirements thereunder.

CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

Framework Agreement for Securities and Financial Products and Services

We will enter into a Framework Agreement for Securities and Financial Products and Services (the "Framework Agreement") with International Group before Listing for a term commencing from the [REDACTED] to December 31, 2019. It is expected that separate contracts will be entered into between members of the Group and International Group and its associates to provide for the terms and conditions of the specific transaction(s) in accordance with the principal terms set out in the Framework Agreement.

Principal terms

Pursuant to the Framework Agreement, the Company and International Group agreed to conduct securities and financial transactions with one another and/or their respective associates, and provide securities and financial products as well as financial services to one another, in our and their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

A. Securities and Financial Product Transactions

We conduct securities and financial product transactions with International Group and/or its associates in our ordinary course of business from time to time.

We purchase the most suitable securities and financial products provided by different suppliers (including International Group and its associates, which are our connected persons, and Independent Third Parties) based on our internal evaluation system and procedures with reference to various factors including the cost, market condition and our risk exposure, business needs and development requirements.

International Group and/or its associates also purchase securities and financial products from us (such as collective asset management schemes) in their ordinary course of business from time to time, taking into account their business needs and the suitability of the products we offered. Further, as part of the transactions on securities and financial products, we conduct financing transactions (including sale and repurchase of debt securities) with International Group and/or its associates from time to time.

According to the Framework Agreement, we expect that the securities and financial product transactions between us and International Group and/or its associates after the Listing include (but not limited to) the following:

- products with fixed income features - including bonds, funds, trust, wealth management products, asset management schemes, asset-backed securities products, convertible bonds, structured products, interest rates and credit risk derivative products and other fixed income products;

- equity-related products or transactions - including stocks, equity interest and other products with the features of equity;

- financing transactions - financing transactions among financial institutions with or without guarantees, including lending and borrowing and repurchase; and

- other securities and financial products and derivative products - including swaps, futures, forward contracts, commodities and foreign exchange.

Pricing basis

The market rates in respect of each of the securities and financial product transactions above are generally transparent across the market. The commission rates and fees for such securities and financial product transactions shall be determined based on the prevailing market prices or market rates normally applicable to Independent Third Parties for similar types of transactions at the time of the transactions. To ensure that the above transactions with International Group and/or its associates are on normal commercial terms and to safeguard the interests of our Shareholders as a whole, including the minority Shareholders, we have put in place internal approval and monitoring procedures relating to our connected transactions, further details of which are set out in "*—Measures to Safeguard the Interests of our Shareholders*" below.

Historical figures

The approximate historical figures of securities and financial product transactions entered into between us and International Group and its associates for the two years ended December 31, 2015 and the nine months ended September 30, 2016 were as follows:

	Historical figures (RMB million)		
	For the year ended December 31,		For the nine months ended September 30,
	2014	2015	2016
Securities and financial product transactions			
Inflow[(1)(3)]	114.0	1,718.5	1,589.9
Outflow[(2)(3)]	64.0	542.7	2,715.3

Notes:

(1) "Inflow" means our total cash inflow arising from the sale of fixed income products and equity products to, transactions of other securities and financial products and derivative products with, and/or borrowing/repurchase from financing transactions with, International Group and its associates.

(2) "Outflow" means our total cash outflow arising from the purchase of fixed income products and equity products from, transactions of other securities and financial products derivative products with, and/or lending/resale from financing transactions with, International Group and its associates.

(3) The significant increases in historical figures for 2015 and 2016 are primarily due to the fact that (1) during such periods, International Group's associates have purchased our "Jun De Li (君得利)" and "Jun De Jin (君得金)" products. The "Jun De Li (君得利)" and "Jun De Jin (君得金)" products are collective asset management plans which generally involve frequent purchase and redemption transactions and in aggregate have resulted in a large amount of cash inflow and outflow; and (2) during such periods, our asset management products have started to subscribe for the subordinated bonds issued by Shanghai Securities.

Annual caps

We consider that it is impracticable and extremely difficult to set a separate annual cap for each category of the securities and financial product transactions set out above for the following key reasons:

- each of the securities and financial product transactions is entered into at the then prevailing market prices in the ordinary course of our business with high frequency. Such transactions are market-driven and are entered into depending on various factors including, among others, the bidding price and timing of the bids. The value of each of these transactions is determined by the market and varies from time to time and from year to year depending on various external factors that are out of our control, including the then economic conditions as well as the fluctuations in the financial markets of the PRC and Hong Kong. Accordingly, historical figures for each category of these transactions may not be a fair indication as to the expected aggregate value of the transactions for the three years ending December 31, 2019;

- most of these transactions are entered into in a very short timeframe and are very sensitive to market prices. If an annual cap is set for each category of these transactions, it may cause significant delay to such transactions and undue disruption to our existing operations and potential growth to the detriment of the Company and our Shareholders as a whole and restrict our overall competitiveness in a highly competitive securities industry. Setting an annual cap for each category of these transactions will therefore be impracticable and extremely difficult for the Group;

- the variety and characteristics of products are changing frequently in the ever-changing PRC securities and financial market, hence it is difficult to practically estimate with accuracy when new products will be launched;

- we play a relatively passive role in some of these transactions and, as such, it is impracticable for us to estimate the expected annual value of such transactions with accuracy. For example, International Group and/or its associates may purchase our products (such as our "Jun De Li" (君得利) "Jun De Jin" (君得金) products) of its own accord. We handle such transactions with International Group and/or its associates in a manner similar to our transactions with Independent Third Parties, and we have no control over whether and which products International Group or its associates purchase or the timing or amount of their purchases; and

- all such transactions will continue to be entered into at the then prevailing market prices or market rates in the ordinary course of our business and the business of International Group and/or its associates.

In light of the above, we consider that it is more practicable to set annual caps for the total inflow and outflow of all the securities and financial product transactions under the Framework Agreement, instead of a separate annual cap for each category of those transactions.

The estimated annual caps of the total inflow and outflow amount of the securities and financial product transactions contemplated under the Framework Agreement for the three years ending December 31, 2019 are as follows:

	Annual caps (RMB million)		
	For the year ending December 31,		
	2017	**2018**	**2019**
Securities and financial product transactions			
Inflow[(1)]	[2,543.8]	[3,073.8]	[3,603.8]
Outflow[(2)]	[4,344.5]	[5,068.6]	[5,792.6]

Notes:

(1) "Inflow" means our total cash inflow arising from the sale of fixed income products and equity products to, transactions of other securities and financial products and derivative products with, and/or borrowing/repurchase from financing transactions with, International Group and its associates.

(2) "Outflow" means our total cash outflow arising from the purchase of fixed income products and equity products from, transactions of other securities and financial products and derivative products with, and/or lending/resale from financing transactions with, International Group and its associates.

In estimating the annual caps of the total inflow and outflow amount of the securities and financial product transactions with International Group and its associates, we have considered, among others, the following key factors:

- historical inflow and outflow amounts of relevant securities and financial product transactions with International Group and/or its associates during the Track Record Period, and in particular the significant increases in amount of transactions for the year ended December 31, 2015 and the nine months ended September 30, 2016;

- the expected annual growth rate of the relevant business lines of the Group for the three years ending December 31, 2019;

- as we expect the businesses of International Group and its associates to grow during the three years ending December 31, 2019, we also expect that our cooperation with them to increase;

- International Group is a state-owned capital operation platform. The portfolio of entities which International Group assumes the role of a controlling shareholder may change from time to time. The additional new associates of the International Group may give rise to additional securities and financial product transactions with them;

- the amount of products (such as money-market products) that we may purchase for liquidity management purpose, and the new types of securities and financial products (such as collective asset management schemes in, among others, equities, quantitative, fixed income and hybrid categories) that we may launch, which will create opportunities for us to conduct more securities and financial product transactions with International Group and its associates; and

- the inherent characteristics of the securities and financial product transactions mentioned above, their market sensitivity and timeliness, the limited control of the Group over the counterparties in such transactions, as well as the general volatility of the financial market and unforeseeable elements, and in particular, considering the significant growth in the total inflow and outflow amount for the nine months ended September 30, 2016, further suggest that the annual caps shall include an appropriate amount of buffer to cover any potential changes in such transactions to avoid any restriction to the expansion of our future business operations.

B. Financial Services

In addition to the securities and financial product transactions above, the Company and International Group and/or their respective associates also provide to each other with financial services in our and their respective ordinary course of business.

Services provided by us to International Group and/or its associates pursuant to the Framework Agreement include (but not limited to):

- underwriting and sponsoring services - including the underwriting and sponsorship services of equity and debt securities. We receive underwriting commissions and sponsor fees for such services;

- other investment banking services - including financial advisory services for, among others, M&A and restructuring. We receive financial advisory fees and/or other fees for such services;

- brokerage services - including securities brokerage and other financial products brokerage services;

- financial products agency sale services - including provision of agency sale services. We receive service fees and/or other fees for such services;

- entrusted asset management services - including asset management service for customers' entrusted assets; and

- other financial services - including advisory and consulting services.

Services provided by International Group and/or its associates to us pursuant to the Framework Agreement include (but not limited to):

- brokerage services - including securities brokerage and other financial products brokerage services;

- financial products agency sale services - we engage the agents to sell our financial products. We pay service fees and/or other fees for such services;

- entrusted asset management services - including asset management service for customers' entrusted assets;

- lending services - including providing financing as our working capital or for specific projects; and

- other financial services - including advisory and consulting services.

Pricing basis

The pricing basis for the financial services under the Framework Agreement is as follows:

- underwriting and sponsorship services - underwriting commissions and sponsor fees shall be determined based on arm's length negotiation after taking into account various factors including the then prevailing market conditions, size of the proposed issuances and market commission rates of recent issuances of similar nature and size as well as the rates that we charge Independent Third Parties. The securities underwriting and sponsorship market is highly competitive and underwriting commission rates and sponsor fees are generally transparent across the market, which enables us to adopt a market-based pricing approach;

- other investment banking services - financial advisory fees and other service fees shall be determined after taking into account factors including the transaction nature and size, and the then prevailing market conditions. The fees for investment banking services are generally transparent across the market, which enables us to adopt a market-based pricing approach;

- brokerage services - the commission rates for these services are generally transparent and standardized across the market. The commission rates are determined based on arm's length negotiation with reference to the prevailing market rates for comparable securities or futures;

- financial products agency sale services - service fees shall be determined based on factors including market prices, industry practice and the total amount of financial products under the agency sale arrangements with reference to the service fee rate charged by us or International Group or its associates for comparable agency sale service provided to independent customers;

- entrusted asset management services - the fees charged for entrusted asset management services are determined based on arm's length negotiations with reference to factors including the prevailing market rates, the amount of the products being sold or the size of the assets entrusted and the complexity of the particular service provided. The market rates for these services are generally transparent across the market; and

- lending services - the interest on financing shall be determined with reference to the relevant interest rates stipulated by the PBOC for the same period, or market rates taking into account factors including the purposes and terms of financing.

The terms (including pricing terms) between International Group and/or its associates and us in respect of our provision of financial services above shall be comparable to those provided to our other independent institutional clients of similar profile and transaction amount; in addition, the terms (including pricing terms) between International Group and/or its associates and us in respect of our procurement of financial services above shall be comparable to those offered by our other independent

suppliers of a similar profile for comparable services. Such transactions shall be subject to the same or stricter internal approval and monitoring procedures and pricing policies applicable to independent clients or independent suppliers. For further details, see "*—Measures to Safeguard the Interests of Our Shareholders*" below.

Historical figures

The approximate historical figures from the financial service transactions under the Framework Agreement between us and International Group and its associates for the two years ended December 31, 2015 and the nine months ended September 30, 2016 were as follows:

	Historical figures (RMB million)		
	For the year ended December 31,		For the nine months ended September 30,
	2014	2015	2016
Financial services			
Revenue generated by us			
Brokerage service	0.09	0.88	0.98
Entrusted asset management services	—	—	0.03
Total	**0.09**	**0.88**	**1.01**
Fees paid by us			
Brokerage service	0.18	0.73	0.40
Financial products agency sale services	—	0.55	0.71
Lending services [Note]	54.52	119.46	9.33
Total	**54.70**	**120.74**	**10.44**

Note:

The significant fluctuations of the historical figures of the fees paid for the lending services during the Track Record Period were mainly because a majority of loans provided by International Group to Shanghai Securities were due and repaid in 2015, therefore the interests paid in 2016 were less compared to those in previous years.

Annual caps

The estimated annual caps of the financial service transactions under the Framework Agreement for the three years ending December 31, 2019 are as follows:

	Annual caps (RMB million)		
	For the year ending December 31,		
	2017	2018	2019
Financial services			
Revenue to be generated by us	[51.6]	[71.8]	[82.1]
Fees payable by us	[75.7]	[88.4]	[101.0]

In estimating the annual caps of the revenue to be generated by us from the provision of financial services to International Group and/or its associates, we have considered, among others, the following key factors:

- the revenue we generated from providing financial services to International Group and its associates during the Track Record Period, and the different rates and fees we charged for the provision of different types of financial services. Considering, in particular, that our provision of financial services to International Group or its associates is largely market-driven, the proposed annual caps shall include an appropriate buffer amount to cover any market volatility and changes. Otherwise, an annual cap that is too restrictive might cause undue disruption to our operations and hamper our ability to respond quickly to changes in the highly volatile financial market;

- as we expect the businesses of International Group and its associates would continue to grow for the three years ending December 31, 2019, which would bring them needs for financing, it is expected that we may start to provide investment banking service to International Group and/or its associates for the three years ending December 31, 2019. In addition, the demands of our clients (including International Group and its associates) for investment banking services are usually not on a continuous basis and a large-amount fee can be generated for a single transaction;

- as we expect the businesses of International Group and its associates to grow during the three years ending December 31, 2019, we also expect that our cooperation with them to increase;

- for the three years ending December 31, 2019, securities brokerage services, financial products agency sale services and entrusted asset management services will have potential growths along with our increasing cooperation with International Group and its associates during the three years ending December 31, 2019;

- the expected annual growth rate of the relevant business lines of the Group for the three years ended December 31, 2016, after considering the significant increases in our revenue from such services for the two financial years ended December 31, 2015 and the nine months ended September 30, 2016;

- our leading position in the relevant markets will enable us to better seize the opportunities to provide financial services to International Group and/or its associates; and

- the PRC securities market is expected to further develop alongside the economic growth, market reforms and increasingly diversified product and service offerings, which will in turn lead to increases in our transaction with International Group and/or its associates.

In estimating the annual caps of the fees payable by us for procuring financial services from International Group and its associates, we have considered, among others, the following key factors:

- the fees paid by us for procurement of financial services from International Group and its associates during the Track Record Period, including the different service rates and fees they charged for the provision of different types of financial services. Considering, in particular, that our procurement of financial services from International Group and its associates is largely market-driven, the proposed annual caps shall include an appropriate buffer amount to cover any market volatility and changes. Otherwise, an annual cap that is too restrictive might cause undue disruption to our operations and hamper our ability to respond quickly to changes in the highly volatile financial market;

- our demand for financial services will increase as a result of our business growth, thus it is expected that there will be increasing cooperation between International Group and/or its associates and us during the three years ending December 31, 2019; and

- our funding needs will increase as a result of our expected business growth, thus the amount of interests payable for financing granted by International Group and its associates is expected to increase accordingly.

In addition, the proposed annual caps are determined after taking into account the factor of inflation and under the assumptions that there will not be any material and adverse changes in market conditions, operational and business environment or government policies which may have material impact on the business of the Group and that of International Group and/or its associates during the relevant periods under projection.

Implications under the Hong Kong Listing Rules and waivers from strict compliance with the Hong Kong Listing Rules

The highest applicable percentage ratio in respect of the transactions under the Framework Agreement is above 0.1% but less than 5%. Such transactions, therefore, shall be subject to the reporting, annual review and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. As the Framework Agreement is expected to continue on a recurring and continuing basis, our Directors consider that strict compliance with the announcement requirement would be impracticable, unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted to us], a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules in respect of the transactions under the Framework Agreement.

In the event of any future amendments to the Hong Kong Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Measures to Safeguard the Interests of our Shareholders

To safeguard the interests of our Shareholders as a whole, including the minority Shareholders, we have put in place internal approval and monitoring procedures relating to our connected transactions, which include the following:

- in the offer or sale of the same batch of securities or financial products to customers (including both connected persons and Independent Third Parties), we will offer the same pricing terms to all customers and no preferential terms shall be provided to the customers who are our connected persons; and

- we have formulated internal guidelines according to Hong Kong Listing Rules, which provide approval procedures for connect transactions.

Our independent non-executive Directors and auditors will conduct an annual review of our continuing connected transactions (including the rates offered by and to International Group and its associates) and provide annual confirmations in accordance with the Hong Kong Listing Rules that the individual transactions are conducted in accordance with the terms of the relevant agreements (including the Framework Agreement), on normal commercial terms and in accordance with our pricing policy and in the interests of our Shareholders as a whole.

Confirmation from our Directors

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions under the Framework Agreement have been and will be entered into in our ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The proposed annual caps (if applicable) for those transactions are fair and reasonable and in the interest of the Company and the shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that the continuing connected transactions under the Framework Agreement have been entered into in the ordinary course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The proposed annual caps (if applicable) for those transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see "*Business — Business Strategies*" for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming the [REDACTED] is not exercised and the [REDACTED] is [HK$[REDACTED]] per [REDACTED] (being the mid-point of the stated range of the [REDACTED]), we estimate that we will receive net proceeds of approximately [HK$[REDACTED]] million from the [REDACTED] after deducting the underwriting expenses, commissions and estimated expenses in connection with the [REDACTED].

We intend to use the net proceeds from the [REDACTED] in the following manner:

- approximately [[REDACTED]%,] or [HK$[REDACTED]] million, will be used for the development of institutional financial businesses and the improvement of integrated financial services capabilities, including:

  (i) development of prime brokerage business;

  (ii) development of new FICC business and corporate client solutions business with high technical added-value and low capital risk; and

  (iii) investment in capital-based intermediary services to satisfy the business needs of our onshore and overseas customers in order to improve our integrated financial services capabilities;

- approximately [[REDACTED]%,] or [HK$[REDACTED]] million, will be used for the development of personal financial services businesses, including:

  (i) investment in IT and financial technology products and services in order to improve customer experiences;

  (ii) expanding our products portfolio to further enhance the comprehensiveness of the personal financial products in order to satisfy the financing and investment needs of onshore and overseas customers; and

  (iii) investment in the establishment of new securities branches and upgrading high-income branches to high-end wealth management centres in order to further expand our multi-tiered branches network;

- approximately [[REDACTED]%,] or [HK$[REDACTED]] million, will be used for the development of investment management business and expansion of the AUM by further strengthening our asset management capability both onshore and overseas, enhancing our product innovation and expanding the business scale;

- approximately [[REDACTED]%,] or [REDACTED] million, will be used for the development of our international businesses, including:

  (i) providing capital support for the business expansion of our overseas subsidiaries; and

  (ii) joint business development in investment banking, asset management, and brokerage and trading services through collaboration, such as joint ventures, with leading international financial institutions;

- approximately [[REDACTED]%,] or [REDACTED] million, will be used for additional working capital and other general corporate purposes.

Assuming the [REDACTED] is not exercised and the [REDACTED] is HK$[REDACTED] per [REDACTED] (being the high-end of the [REDACTED] range stated in this document), the net proceeds will increase by approximately HK$[REDACTED] million, and if the [REDACTED] is [HK$[REDACTED]] per [REDACTED] (being the low-end of the [REDACTED] range stated in this document), the net proceeds will decrease by approximately [HK$[REDACTED]] million.

Assuming the [REDACTED] is fully exercised, we would receive net proceeds of (i) [HK$[REDACTED]] million (assuming an [REDACTED] of [HK$[REDACTED]] per H Share, being the high-end of the [REDACTED] range stated in this document), (ii) [HK$[REDACTED]] million (assuming an [REDACTED] of [HK$[REDACTED]] per H Share, being the mid-point of the [REDACTED] range stated in this document) or (iii) [HK$[REDACTED]] million (assuming an [REDACTED] of [HK$[REDACTED]] per H Share, being the low-end of the [REDACTED] range stated in this document).

If the actual amount of proceeds is lower than the estimated amounts above, we will adjust our allocation of the net proceeds for the above purposes on a *pro rata* basis. Similarly, if the actual amount of proceeds is more than the estimated amounts above, we intend to use the additional proceeds for the same purposes as set out above on a *pro rata* basis.

To the extent that the net proceeds are not immediately used for the purposes described above, and subject to applicable laws, regulations, the SSE Listing Rules and Hong Kong Listing Rules, we intend to use the net proceeds for short-term investment in liquid assets.

UNDERWRITING

HONG KONG UNDERWRITERS

[REDACTED]

UNDERWRITING

This document is published solely in connection with the [REDACTED]. The [REDACTED] is fully underwritten by the [REDACTED] on a conditional basis on the terms and conditions set out in this document, the [REDACTED] relating thereto and the [REDACTED]. The [REDACTED] is expected to be fully underwritten by the [REDACTED]. If, for any reason, the [REDACTED] is not agreed between the Company and the [[REDACTED] (for themselves and on behalf of the [REDACTED])], the [REDACTED] will not proceed and will lapse.

The [REDACTED] comprises the [REDACTED] of initially [REDACTED] Hong Kong [REDACTED] and the [REDACTED] of initially [REDACTED] International [REDACTED], subject, in each case, to reallocation on the basis as described in "*Structure of the [REDACTED]*" as well as to the [REDACTED] in the case of the [REDACTED].

UNDERWRITING ARRANGEMENTS AND EXPENSES

The [REDACTED]

Hong Kong Underwriting Agreement

[Pursuant to the Hong Kong Underwriting Agreement, [REDACTED]

Grounds for Termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

Undertakings to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules

[(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Hong Kong Listing Rules [and subject to the waiver from Rule 10.08 of the Hong Kong Listing Rules to be granted by the Hong Kong Stock Exchange in relation to the issue of Convertible Bonds], we have undertaken to the Hong Kong Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealings on the Hong Kong Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to [REDACTED] or any of the circumstances provided under Rule 10.08 of the Hong Kong Listing Rules.

[REDACTED]

[REDACTED]

(B) Undertakings by the Controlling Shareholder

[REDACTED]

UNDERWRITING

[REDACTED]

[REDACTED]

[REDACTED]' Interests in the Company

Except for its obligations under the [REDACTED] and save as disclosed in this document, none of the [REDACTED] has any shareholding interest in the Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

Following the completion of the [REDACTED], the [REDACTED] and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the [REDACTED].

UNDERWRITING

The [REDACTED]

International Underwriting Agreement

In connection with the [REDACTED], it is expected that we will enter into the [REDACTED] with, among others, the [REDACTED]. Under the [REDACTED], subject to the conditions set out therein, [REDACTED].

[REDACTED]

Commissions and Expenses

[REDACTED]

Joint Sponsors' Fee

An amount of US$500,000 is payable by the Company as sponsor fees to each of the Joint Sponsors, totaling an amount of US$2,000,000.

Other Services Provided by the [REDACTED]

[REDACTED]

INDEPENDENCE OF THE JOINT SPONSORS

Each of Goldman Sachs (Asia) L.L.C. and Merrill Lynch Far East Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules. Guotai Junan Capital Limited is a wholly-owned subsidiary of Guotai Junan International Holding Limited, of which the Company is a controlling shareholder interested in 64.97% as of the Latest Practicable Date. As of the Latest Practicable Date, the Company's controlling shareholder, International Group, holds (directly and indirectly) approximately 26.55% equity interest of SPD Bank which indirectly holds 100% equity interest in SPDB International Capital Limited. Therefore, International Group indirectly holds 26.55% equity interest in SPDB International Capital Limited and is its indirect single largest shareholder. As confirmed by International Group and SPD Bank, International Group does not have any control over the composition of a majority of the board of directors of SPD Bank, thus it is not the controlling shareholder of SPD Bank or SPDB International Capital Limited. Based on the facts above, SPDB International Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Hong Kong Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

[REDACTED]

UNDERWRITING

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG [REDACTED]

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HOW TO APPLY FOR THE HONG KONG [REDACTED]

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HOW TO APPLY FOR THE HONG KONG [REDACTED]

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[REDACTED]

HOW TO APPLY FOR THE HONG KONG [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE HONG KONG [REDACTED]

[REDACTED]

The following is the text of a report received from the Company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

22F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

[Date]

The Directors
Guotai Junan Securities Co., Ltd.

Guotai Junan Capital Limited
Goldman Sachs (Asia) L.L.C.
Merrill Lynch Far East Limited
SPDB International Capital Limited

Dear Sirs,

We set out below our report on the financial information of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), comprising the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2014 and 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and statements of financial position of the Company as at 31 December 2014 and 2015, together with the notes thereto (the "Financial Information"), prepared on the basis of preparation set out in note 2.1 of Section II below, for inclusion in the document of the Company dated [Date] (the "Document") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司). On 26 June 2015, the Company's shares were listed on the Shanghai Stock Exchange with stock code 601211.

The Company has prepared its statutory consolidated financial statements in accordance with the "Accounting Standards for Business Enterprises" issued by the Ministry of Finance of the PRC (the "MOF") and other relevant requirements (collectively known as the "PRC GAAP"). Ernst & Young Hua Ming LLP has audited the Group's statutory PRC GAAP financial statements for the years ended 31 December 2014 and 2015.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 25 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group have been prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 25 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the years ended 31 December 2014 and 2015 were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group and the Company as at 31 December 2014 and 2015 and of the financial performance and cash flows of the Group for the Relevant Periods.

I FINANCIAL INFORMATION

(Amounts expressed in thousands of RMB unless otherwise stated)

1. Consolidated statements of profit or loss

	Section II notes	Year ended 31 December 2014	Year ended 31 December 2015
Revenue			
Fee and commission income	6	10,934,202	27,127,641
Interest income	7	6,862,496	15,433,828
Net investment gains	8	6,278,867	9,247,096
Total revenue		24,075,565	51,808,565
Other income and gains	9	327,543	300,194
Total revenue and other income		24,403,108	52,108,759
Fee and commission expenses	10	(1,439,259)	(3,899,702)
Interest expenses	11	(4,760,586)	(10,275,268)
Staff costs	12	(5,406,978)	(10,041,513)
Depreciation and amortization expenses	13	(301,713)	(382,525)
Business tax and surcharges		(865,316)	(2,272,396)
Other operating expenses and costs	14	(1,744,355)	(2,433,643)
Provision for impairment losses	15	(408,698)	(769,867)
Total expenses		(14,926,905)	(30,074,914)
Operating profit		9,476,203	22,033,845
Share of profits of associates and joint ventures		398	17,272
Profit before income tax		9,476,601	22,051,117
Income tax expense	16	(2,305,005)	(5,356,308)
Profit for the year		7,171,596	16,694,809
Attributable to:			
Equity holders of the Company		6,757,912	15,700,291
Non-controlling interests		413,684	994,518
Total		7,171,596	16,694,809
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi Yuan per share)	20		
— Basic		1.11	2.21
— Diluted		1.11	2.21

The accompanying notes form part of the Financial Information.

2. Consolidated statements of comprehensive income

	Year ended 31 December	
	2014	2015
Profit for the year	7,171,596	16,694,809
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	2,742,661	1,513,892
— Reclassified to profit or loss	(561,522)	(2,582,488)
Exchange differences on translation of financial statements in foreign currencies	4,254	339,486
Income tax impact	(530,314)	252,277
Other comprehensive income for the year, net of tax	1,655,079	(476,833)
Total comprehensive income for the year	8,826,675	16,217,976
Attributable to:		
Equity holders of the Company	8,365,782	15,037,582
Non-controlling interests	460,893	1,180,394
Total	8,826,675	16,217,976

The accompanying notes form part of the Financial Information.

3. Consolidated statements of financial position

	Section II notes	As at 31 December 2014	As at 31 December 2015
Non-current assets			
Property and equipment	21	3,148,314	3,420,725
Prepaid land lease payments	22	861,706	842,600
Goodwill	23	581,407	581,407
Other intangible assets	24	1,304,420	1,351,142
Investments in associates	27	342,209	373,657
Investments in joint ventures	27	24,085	555,398
Available-for-sale financial assets	28	15,536,434	39,403,562
Financial assets held under resale agreements	29	3,072,526	4,769,248
Financial assets at fair value through profit or loss	30	462,998	101,732
Refundable deposits	31	6,649,738	6,515,747
Deferred tax assets	32	127,260	218,134
Other non-current assets	33	1,497,089	1,457,391
Total non-current assets		33,608,186	59,590,743
Current assets			
Accounts receivable	34	1,188,335	2,176,508
Other receivables and prepayments	35	6,013,769	6,265,386
Margin accounts receivable	36	76,031,452	82,271,474
Available-for-sale financial assets	28	1,218,834	517,672
Financial assets held under resale agreements	29	29,177,662	34,762,482
Financial assets at fair value through profit or loss	30	56,247,235	90,910,431
Derivative financial assets	37	1,393	182,445
Clearing settlement funds	38	1,572,406	1,311,501
Cash held on behalf of brokerage customers	39	95,643,941	146,294,807
Cash and bank balances	40	18,599,241	30,058,938
Total current assets		285,694,268	394,751,644
Total assets		319,302,454	454,342,387

The accompanying notes form part of the Financial Information.

	Section II notes	As at 31 December 2014	As at 31 December 2015
Current liabilities			
Loans and borrowings	42	4,103,950	5,492,001
Short-term debt instruments	43	17,168,434	2,319,470
Placements from other financial institutions	44	10,993,000	8,412,000
Accounts payable to brokerage customers	45	100,186,594	147,789,747
Employee benefits payable	46	3,467,979	6,779,519
Income tax payable		1,296,656	3,919,003
Financial assets sold under repurchase agreements	47	61,107,672	68,319,412
Financial liabilities at fair value through profit or loss	48	5,234,742	6,414,183
Derivative financial liabilities	37	196,001	133,100
Bonds payable	49	5,000,000	4,696,500
Other current liabilities	50	19,874,254	22,735,614
Total current liabilities		228,629,282	277,010,549
Net current assets		57,064,986	117,741,095
Total assets less current liabilities		90,673,172	177,331,838
Non-current liabilities			
Loans and borrowings	42	780,981	4,577,615
Bonds payable	49	26,513,545	52,927,481
Employee benefits payable	46	—	614,539
Deferred tax liabilities	32	1,344,391	250,308
Financial assets sold under repurchase agreements	47	13,700,000	13,800,000
Other non-current liabilities	51	1,035,589	3,525,174
Total non-current liabilities		43,374,506	75,695,117
Net assets		47,298,666	101,636,721
Equity			
Share capital	52	6,100,000	7,625,000
Other equity instruments	53	—	10,000,000
Reserves	54	13,681,551	45,761,417
Retained profits	54	22,258,917	31,937,998
Equity attributable to equity holders of the Company		42,040,468	95,324,415
Non-controlling interests		5,258,198	6,312,306
Total equity		47,298,666	101,636,721

The accompanying notes form part of the Financial Information.

4. Consolidated statements of changes in equity

	Attributable to equity holders of the Company									
		Reserves								
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2014	6,100,000	1,305,024	617,568	(351,133)	2,896,183	5,862,378	17,635,146	34,065,166	936,983	35,002,149
Profit for the year	—	—	—	—	—	—	6,757,912	6,757,912	413,684	7,171,596
Other comprehensive income for the year	—	—	1,605,148	2,722	—	—	—	1,607,870	47,209	1,655,079
Total comprehensive income for the year	—	—	1,605,148	2,722	—	—	6,757,912	8,365,782	460,893	8,826,675
Capital injection from non-controlling interests	—	11,653	—	—	—	—	—	11,653	1,068,715	1,080,368
Appropriation to surplus reserve	—	—	—	—	585,107	—	(585,107)	—	—	—
Appropriation to general reserve	—	—	—	—	—	1,244,034	(1,244,034)	—	—	—
Dividends (note 19)	—	—	—	—	—	—	(305,000)	(305,000)	—	(305,000)
Dividends to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(161,503)	(161,503)
Equity transactions with non-controlling interests	—	(78,461)	—	—	—	—	—	(78,461)	(161,757)	(240,218)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	3,047,147	3,047,147
Others	—	(18,672)	—	—	—	—	—	(18,672)	67,720	49,048
At 31 December 2014	6,100,000	1,219,544	2,222,716	(348,411)	3,481,290	7,106,412	22,258,917	42,040,468	5,258,198	47,298,666

The accompanying notes form part of the Financial Information.

	Attributable to equity holders of the Company										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2015	6,100,000	—	1,219,544	2,222,716	(348,411)	3,481,290	7,106,412	22,258,917	42,040,468	5,258,198	47,298,666
Profit for the year	—	—	—	—	—	—	—	15,700,291	15,700,291	994,518	16,694,809
Other comprehensive income for the year	—	—	—	(884,899)	222,190	—	—	—	(662,709)	185,876	(476,833)
Total comprehensive income for the year	—	—	—	(884,899)	222,190	—	—	15,700,291	15,037,582	1,180,394	16,217,976
IPO of A shares	1,525,000	—	28,138,274	—	—	—	—	—	29,663,274	—	29,663,274
Issue of perpetual subordinated bonds	—	10,000,000	—	—	—	—	—	—	10,000,000	—	10,000,000
Appropriation to surplus reserve	—	—	—	—	—	1,508,419	—	(1,508,419)	—	—	—
Appropriation to general reserve	—	—	—	—	—	—	3,160,291	(3,160,291)	—	—	—
Dividends (note 19)	—	—	—	—	—	—	—	(762,500)	(762,500)	—	(762,500)
Dividends to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(224,053)	(224,053)
Distribution to other equity instrument holders (note 19)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Others	—	—	(64,409)	—	—	—	—	—	(64,409)	97,767	33,358
At 31 December 2015	7,625,000	10,000,000	29,293,409	1,337,817	(126,221)	4,989,709	10,266,703	31,937,998	95,324,415	6,312,306	101,636,721

The accompanying notes form part of the Financial Information.

5. Consolidated statements of cash flows

	Year ended 31 December	
	2014	2015
Cash flows from operating activities:		
Profit before income tax	9,476,601	22,051,117
Adjustments for:		
Interest expenses	4,760,586	10,275,268
Share of profits of associates and joint ventures	(398)	(17,272)
Depreciation and amortization	301,713	382,525
Provision for impairment losses	408,698	769,867
Net (gains)/losses on disposal of property and equipment	(53,719)	8,052
Foreign exchange losses	11,756	48,997
Net realized gains from financial instruments	(609,220)	(3,108,275)
Dividend income and interest income from available-for-sale financial assets	(580,724)	(498,241)
Interest income from time deposits, loans and receivables	(243,485)	(585,929)
Unrealized fair value changes in financial instruments through profit or loss	(3,221,548)	201,638
Unrealized fair value changes in derivatives	(64,235)	(202,765)
	10,186,025	29,324,982
(Increase)/decrease in refundable deposits	(2,160,814)	133,991
Increase in margin accounts receivable	(44,929,313)	(6,246,628)
Increase in accounts receivable, other receivables and prepayments	(582,252)	(1,858,706)
Increase in financial assets held under resale agreements	(6,244,192)	(9,838,222)
Increase in financial instruments at fair value through profit or loss and derivative financial instruments	(5,412,620)	(33,304,123)
Increase in cash held on behalf of brokerage customers	(45,188,753)	(47,610,866)
Increase in accounts payable to brokerage customers	50,833,858	47,603,153
(Decrease)/increase in other current liabilities	(200,832)	3,062,497
Increase in employee benefits payable	1,884,082	3,957,341
Increase in financial assets sold under repurchase agreements	44,013,417	7,311,740
Increase/(decrease) in placements from other financial institutions	5,404,000	(2,581,000)
Cash generated from/(used in) operations	7,602,606	(10,045,841)
Income taxes paid	(1,136,936)	(3,666,640)
Interest paid	(2,190,637)	(5,889,396)
Net cash generated from/(used in) operating activities	4,275,033	(19,601,877)

The accompanying notes form part of the Financial Information.

	Section II note	Year ended 31 December 2014	2015
Cash flows from investing activities:			
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets		132,790	5,150
Dividends and interest received from available-for-sale financial assets and other investments		708,131	1,035,222
Proceeds from disposal of available-for-sale financial assets and other investments		29,257,056	54,478,030
Proceeds from disposal of a subsidiary, associate and joint venture		—	3,016,882
Cash acquired from acquisition of a subsidiary, net of consideration transferred		—	867
Cash paid for acquisition of a subsidiary, net of cash and bank balances acquired		(74,401)	(2,499,714)
Purchases of property and equipment, other intangible assets and other non-current assets		(1,187,684)	(595,883)
Purchases of available-for-sale financial assets and other investments		(36,270,367)	(78,292,083)
Net cash used in investing activities		(7,434,475)	(22,851,529)
Cash flows from financing activities:			
Net proceeds from issuance of A shares		—	29,663,274
Capital injection from non-controlling interests		1,080,368	—
Proceeds from issuance of perpetual subordinated bonds		—	10,000,000
Proceeds from issuance of short-term debt instruments		42,126,804	36,557,750
Proceeds from issuance of bonds payable		20,543,053	31,286,138
Proceeds from loans and borrowings		56,578,883	65,073,457
Proceeds from other financing activities		—	332,356
Repayment of debt securities issued		(35,113,460)	(56,548,714)
Repayment of loans and borrowings		(54,876,233)	(59,911,274)
Interest paid		(1,926,071)	(3,527,292)
Dividends paid		(464,499)	(978,911)
Net cash generated from financing activities		27,948,845	51,946,784
Net increase in cash and cash equivalents		24,789,403	9,493,378
Cash and cash equivalents at the beginning of the year		7,701,070	32,533,369
Effect of foreign exchange rate changes		42,896	136,581
Cash and cash equivalents at the end of the year	41	32,533,369	42,163,328

The accompanying notes form part of the Financial Information.

6. Statements of financial position

	Section II notes	As at 31 December 2014	As at 31 December 2015
Non-current assets			
Property and equipment	21	1,422,112	1,505,760
Other intangible assets	24	197,382	232,249
Investments in subsidiaries	25	9,507,326	10,985,871
Investments in associates	27	187,931	185,427
Available-for-sale financial assets	28	10,328,019	30,807,663
Financial assets held under resale agreements	29	2,022,151	2,985,720
Refundable deposits	31	1,047,105	1,298,598
Deferred tax assets	32	—	646,417
Other non-current assets	33	999,125	815,218
Total non-current assets		25,711,151	49,462,923
Current assets			
Accounts receivable	34	241,837	480,916
Other receivables and prepayments	35	5,003,113	5,769,215
Margin accounts receivable	36	62,946,004	64,881,121
Available-for-sale financial assets	28	304,000	500,000
Financial assets held under resale agreements	29	21,032,007	25,259,760
Financial assets at fair value through profit or loss	30	43,623,948	74,109,225
Derivative financial assets	37	—	159,778
Clearing settlement funds	38	1,083,925	432,784
Cash held on behalf of brokerage customers	39	69,859,120	107,509,594
Cash and bank balances	40	14,935,719	23,001,744
Total current assets		219,029,673	302,104,137
Total assets		244,740,824	351,567,060

The accompanying notes form part of the Financial Information.

	Section II notes	As at 31 December 2014	As at 31 December 2015
Current liabilities			
Loans and borrowings	42	—	105,000
Short-term debt instruments	43	16,987,700	759,950
Placements from other financial institutions	44	9,741,000	7,650,000
Accounts payable to brokerage customers	45	69,494,631	104,972,180
Employee benefits payable	46	2,549,277	5,071,670
Income tax payable		1,035,810	3,519,829
Financial assets sold under repurchase agreements	47	56,330,700	66,744,668
Financial liabilities at fair value through profit or loss	48	5,234,742	4,373,673
Derivative financial liabilities	37	194,608	113,065
Bonds payable	49	5,000,000	4,696,500
Other current liabilities	50	4,778,524	5,387,442
Total current liabilities		171,346,992	203,393,977
Net current assets		47,682,681	98,710,160
Total assets less current liabilities		73,393,832	148,173,083
Non-current liabilities			
Loans and borrowings	42	—	1,890,000
Bonds payable	49	21,986,750	44,351,106
Employee benefits payable	46	—	600,000
Deferred tax liabilities	32	719,400	—
Financial assets sold under repurchase agreements	47	13,700,000	13,800,000
Total non-current liabilities		36,406,150	60,641,106
Net assets		36,987,682	87,531,977
Equity			
Share capital	52	6,100,000	7,625,000
Other equity instruments	53	—	10,000,000
Reserves	54	12,523,142	43,570,166
Retained profits	54	18,364,540	26,336,811
Total equity		36,987,682	87,531,977

The accompanying notes form part of the Financial Information.

II NOTES TO THE FINANCIAL INFORMATION

(Amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company.

As approved by the CSRC, the Company publicly issued 1,525,000,000 ordinary shares (A shares) and was listed on the Shanghai Stock Exchange on 26 June 2015, with stock code 601211.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Company and its subsidiaries (the "Group") are principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, financial advisory business relating to securities trading and securities investment, margin financing and securities lending, agency sale of securities investment fund, agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). For the purpose of preparing and presenting the Financial Information, the Group has consistently applied all applicable IFRSs which are effective for the accounting period beginning on 1 January 2016 throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the years ended 31 December 2014 and 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 7	*Statement of Cash Flows*[3]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[3]
Amendments to IAS 40	*Investment Property*[1]
Amendments to IFRS 2	*Share-based Payment*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*[4]
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS1*[1]*, IFRS12*[3] *and IAS28*[1]

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

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

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

4 No mandatory effective date yet determined

Except as described below, the application of the new and revised IFRSs will not have significant impact on the Group's and Company's financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

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 fair value

through other comprehensive income. 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 instruments. 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.

The directors of the Company anticipate that the adoption of IFRS 9 in the future 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, IFRS 9 will 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. The Group will also 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. It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed. The Group expects to adopt IFRS 9 on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It introduces a new five-step model to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 provides specific guidance on capitalization of contract cost and license arrangement. It also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs.

The Group anticipates that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. The Group expects to adopt IFRS 15 on 1 January 2018.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payment and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value, in the statement of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in profit or loss, and also classifies cash repayments of the lease liability into the principal portion and the interest portion for presentation in the statements of cash flows.

In respect of lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2015, the total operating lease commitments of the Group in respect of leased premises with terms more than 12 months amounted to RMB852 million. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that a certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities. The Group expects to adopt IFRS 16 on 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

In the Company's statement of financial position, investments in associates and joint ventures of the Company are accounted for using the equity method, unless they are classified as held for sale (or included in a disposal group that is classified as held for sale).

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquirees' identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, non-derivative financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or (b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) 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); and

(viii) 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 parent of the Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.71%-2.74%
Leasehold improvements	Over the shorter of the lease terms and 20%
Machinery	8.64%-19.2%
Electronic equipment	19.00%-50.00%
Communication equipment	10.55%-32.00%
Motor vehicles	10.55%-32.00%
Others	9.50%-32.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, whether there is any indicator of impairment or not. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Useful lives of each category of intangible assets are as follows:

	Useful lives
Trading rights	Indefinite
Securities and futures brokerage qualification	Indefinite
Software	5 years

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as net investment gains or losses in the statement of profit or loss. The net investment gains recognized in profit or loss include any dividend or interest earned on the financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Available-for-sale financial investments

Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss in net investment gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the statement of profit or loss in provision for impairment losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as net investment gains.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of profit or loss, is removed from other comprehensive income and recognized in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "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. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss — is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgment. The Group considers the extent and duration of the decline in evaluating whether a decline in fair value is significant or prolonged. The Group generally considers a significant decline to be one in which the fair value is below the weighted average cost by more than 30% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months or longer. The Group also takes into consideration of other specific relevant factors when assessing whether there is objective evidence that an investment is impaired or not.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statements of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase are recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognizes the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers increase by the difference after deducting withholding stamp duty and commission.

Margin financing and securities lending services

Margin financing and securities lending services 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 short-selling of securities, for which the customers provide the Group with collateral.

Margin financing services

The Group recognizes margin financing services to customers as margin accounts receivable, and recognizes the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to policy of provision for impairment of financial assets measured at amortized cost.

Securities lending services

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognized as interest income according to the margin financing agreement. The securities lending services are not derecognized. The financial assets are recognized as securities lending services in available-for-sale investments, and are subsequently measured according to available-for-sale investments.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general guidance for provisions above; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released to profit or loss during the period when the expense is incurred. Government grants that are to compensate incurred expenses or losses are recognized in profit or loss directly.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments and released to the statement of profit or loss by way of a reduced depreciation charge.

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 recognized when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

Securities brokerage and investment consulting business

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be measured reliably.

Asset management business

Income from the asset management business is recognized when the Group is entitled to receive the income under the asset management agreement.

Interest income

Interest income is recognized 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.

Other income

Other income is recognized on an accrual basis.

Expenses recognition

Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

Interest expenses

Interest expenses are recognized based on the principal outstanding and at the effective interest rate applicable.

Other expenses

Other expenses are recognized on an accrual basis.

Share-based payments

Share-based payments consist of equity-settled share-based payments and cash-settled share-based payments. The term "equity-settled share-based payments" refers to a transaction in which the Group grants shares or other equity instruments as a consideration in return for services rendered.

The equity-settled share-based payment in return for employee services is measured at the fair value of the equity instruments granted to the employees. If the right of an equity-settled share-based payment may be exercised immediately after the grant date, the fair value of the equity instruments on the grant date is recognized in profit or loss, with a corresponding increase in capital reserve. When the grant of equity instruments is conditional upon the achievement of a performance or service condition, an amount for the services received during the vesting period is recognized based on the best available estimate of the number of equity instruments expected to vest which will be revised, if

subsequent information (such as the change on the number of employees who satisfies all vesting conditions, achievement of performance and so on) indicates that the number of equity instruments expected to vest differs from previous estimates. The fair value of equity instruments is calculated based on the binomial model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in capital reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest.

No expense is recognized for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, an expense is recognized as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where equity-settled share-based payment is cancelled, it is treated as if it vested on the date of cancellation, and any expense that otherwise would have been recognized for services received over the remaining vesting period is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

A cash-settled share-based payment rendered by the Group shall be measured in accordance with the fair value of liability based on the shares or other equity instruments undertaken by the Group. It shall be initially measured at fair value on the grant date using the binominal model, taking into account the clauses and conditions of the equity instruments granted. If the right may be exercised immediately after the grant, the fair value of the liability shall, on the date of the grant, be included in the relevant costs or expenses, with a corresponding increase in the liability. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, at the end of each reporting period within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses with a corresponding increase in the liability. The Group shall, at the end of each reporting period and settlement date prior to the settlement of the liability, re-assess the fair values of the liability with changes in fair value recognized in the statement of profit or loss.

Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

Employee benefits

Employee benefits refer to all forms of consideration and other related expense except share based payments given by the Group in exchange for service rendered by employees. The employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependants, family members of deceased employees, or other beneficiaries are also employee benefits.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits (Defined contribution plan)

The Group participates in a defined contribution plan in which the employees benefit from pensions and unemployment insurance managed by the government, and annuity plans managed by the Group. Such expenditure is charged to the statement of profit or loss in the period when it is incurred.

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Other long-term employee benefits

Other long-term employee benefits are applicable to the rules on post-employment benefits, to recognize their net liabilities or net assets, while the changes are recorded in current profit or loss or related asset cost.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned

on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividend distributions

Dividends proposed by the directors are not deducted from equity, until they have been approved by the shareholders in a shareholder meeting. When the dividends have been approved by the shareholders, they are recognized as a liability.

Foreign currencies

The Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to the statement of profit or loss.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

Operating segment information

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, 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 is regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information regarding financial performance is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have the same or similar economic characteristics and meet certain criteria.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, apart from those assumptions involving estimations, management has made the following judgments including the classification of financial assets, the transfer of financial assets and consolidation of structured entities, which have significant effects on the amounts recognized in the financial statements.

Classification of financial assets

Management needs to make significant judgment in classification of financial assets. Different classifications may affect accounting methods as well as the financial position and operating results of the Group.

Transfer of financial assets

Management needs to make significant judgment in transfer of financial assets. Whether financial assets are transferred or not may affect accounting methods as well as the financial position and operating results of the Group.

Consolidation of structured entities

Management needs to make significant judgment on whether a structured entity is under control and shall be combined. Such judgment may affect accounting methods as well as the financial position and operating results of the Group.

When assessing control, the Group considers: (a) power over the investee, (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

When judging the level of the control over the structured entities, the Group considers the following four elements:

(a) The decisions the Group applied when setting up the structured entities and the involvement in those entities;

(b) The related agreement arrangements;

(c) The Group will only take specific actions under certain conditions or incidents; and

(d) The commitments made by the Group to the structured entities.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, reward of the Group, and the risk of undertaking variable returns from owning other benefits of the structured entities.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, which may result in significant adjustment to the carrying amounts of assets and liabilities in the next accounting period.

Fair values of financial assets and derivative financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model, etc. In practice, the discounted cash flow analysis model makes the maximum use of observable inputs, but the management still needs to make estimations on counterparty credit risk, volatility of market interest rate and correlation factors and etc. If there is a change in any assumption of the above factors, the assessment of fair value of financial instruments will be affected.

Deferred income tax assets and liabilities

According to the provisions of the tax law, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period when the assets are realized or when the liabilities are settled. Deferred income tax assets are recognized for all unused tax losses, to the extent that it is likely that taxable profit will be available to offset these unused tax losses. Many judgments are needed from management to estimate the amount, timing and applicable tax rate of future taxable profit, together with the tax planning strategies, to determine the amount of deferred income tax assets and liabilities to be recognized.

Impairment of available-for-sale investments

If there has been a significant or prolonged (after considering all related factors) decline in the fair value of available-for-sale investments, the impairment losses shall be provided by reclassification the cumulative unrealized loss arising from decline in fair value and previously recorded in other comprehensive loss to profit or loss. The Group considers the extent and duration of the decline in evaluating whether a decline in fair value is significant or prolonged. The Group generally considers a significant decline to be one in which the fair value is below the weighted average cost by more than 30% or a prolonged decline to be one in which fair value is below the weighted average cost for a continuous period of more than twelve months or longer. The Group also takes into consideration of other specific relevant factors when assessing whether there is objective evidence that an investment is impaired or not.

Impairment losses on debt instruments are reversed through the statements of profit or loss if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognized in the statements of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statements of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate income tax	Taxable profits	16.5%-25%
Business tax	Taxable revenue	5%
Value added tax ("VAT")	Taxable revenue	6%-17%
City maintenance and construction tax	Business tax and value added tax paid	1%-7%
Education surcharge	Business tax and value added tax paid	3%

The income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No. 36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46) and the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No. 70) issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%, instead of business tax at 5% prior to 1 May 2016.

Pursuant to the Notice on Clarifying Value-added Tax Policies on Finance, Real Estate Development and Education Assisted Services (《關於明確金融、房地產開發、教育輔助服務等增值税收政策的通知》) promulgated by the MOF and the SAT on 21 December 2016, taxpayer's purchasing various asset management products such as funds, trusts and wealth management products and holding them to maturity shall not be identified as the "transfer of financial products" stipulated in Cai Shui [2016] No. 36. For the value-added tax taxable transactions produced during the operation process of the asset management products, the manager of the asset management products shall be the taxpayer of the value-added tax.

According to the Supplemental Notice on Certain Issues in relation to Value-Added Tax Policies on Asset Management Products (《關於資管產品增值税政策有關問題的補充通知》) promulgated by the MOF and the SAT on 6 January 2017, starting from 1 July 2017 (inclusive), for the value-added tax taxable transactions produced during the operation process of the asset management products, the manager of the asset management products shall be the taxpayer of the value-added tax and pay the value-added tax pursuant to the prevailing rules. For the value-added tax taxable transactions produced during the operation process of the asset management products before 1 July 2017, it is not required to pay the unpaid value-added tax.

6. FEE AND COMMISSION INCOME

	Year ended 31 December	
	2014	2015
Securities brokerage and investment consulting business	7,623,583	20,904,577
Underwriting and sponsorship business	1,491,964	2,789,846
Asset management business	1,138,561	2,224,563
Futures brokerage business	384,797	556,858
Financial advisory business	217,158	438,213
Others	78,139	213,584
Total	10,934,202	27,127,641

7. INTEREST INCOME

	Year ended 31 December	
	2014	2015
Margin financing and securities lending	3,644,852	8,127,102
Deposit in financial institutions	1,832,793	4,929,392
Stock-pledged financing and securities repurchase	889,710	1,592,845
Other financial assets held under resale agreements	389,418	631,100
Debt instruments classified as receivables	41,845	87,206
Others	63,878	66,183
Total	6,862,496	15,433,828

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2014	2015
Dividend and interest income		
Available-for-sale financial assets	580,724	498,241
Financial instruments at fair value through profit or loss	1,649,078	2,604,893
Net realized gains/(losses)		
Disposal of available-for-sale financial assets	609,220	3,108,275
Disposal of financial instruments at fair value through profit or loss	1,495,658	2,029,135
Disposal of derivative financial instruments	(1,069,715)	901,848
Unrealized gains/(losses)		
Fair value changes of financial instruments at fair value through profit or loss	3,221,548	(201,638)
Fair value changes of derivative financial instruments	(207,646)	306,342
Total	6,278,867	9,247,096

9. OTHER INCOME AND GAINS

	Year ended 31 December	
	2014	2015
Government grants	236,284	311,023
Gains on disposal of property and equipment	56,021	984
Foreign exchange losses	(11,756)	(48,997)
Others	46,994	37,184
Total	327,543	300,194

The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

10. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2014	2015
Securities brokerage and investment consulting business	1,189,448	3,644,373
Underwriting and sponsorship business	191,918	161,032
Futures brokerage business	46,559	60,011
Others	11,334	34,286
Total	1,439,259	3,899,702

11. INTEREST EXPENSES

	Year ended 31 December	
	2014	2015
Financial assets sold under repurchase agreements	1,496,137	3,988,217
Bonds payable	1,242,684	2,750,795
Priority tranche holders of structured entities	715,133	1,030,228
Accounts payable to brokerage customers	206,159	654,065
Placements from other financial institutions	493,310	587,363
Short-term debt instruments	425,101	479,123
Loans and borrowings	106,514	379,283
Gold borrowing	5,379	177,701
Derivative financial instruments	46,276	155,271
Securities lending	15,208	44,391
Others	8,685	28,831
Total	4,760,586	10,275,268

12. STAFF COSTS

	Year ended 31 December	
	2014	2015
Salaries, bonuses and allowances	4,529,717	9,059,829
Contributions to defined contribution schemes	358,477	477,165
Other social welfare	518,784	504,519
Total	5,406,978	10,041,513

The employees of the Group in Mainland China participate in state-managed retirement benefit schemes operated by the respective local government in Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

13. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 31 December	
	2014	2015
Depreciation of property and equipment	234,794	301,190
Amortization of other intangible assets	38,756	54,056
Amortization of long-term deferred expenses	28,148	27,249
Amortization of prepaid land lease payments	15	30
Total	301,713	382,525

14. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2014	2015
Rental expenses	397,488	506,616
Consulting fees	91,395	233,304
Administrative and office operating expenses	208,453	219,119
Securities investor protection funds	97,890	197,199
Promotion and business development expenses	165,195	186,012
Postal and communication expenses	127,484	170,081
Business travel expenses	124,459	142,149
IT expenses	85,710	136,902
Stock exchanges management fees	52,119	136,577
Fund and asset management scheme distribution expenses	72,380	105,533
Marketing and advertising expenses	59,401	69,288
Utilities	53,845	69,171
Auditors' remuneration	9,916	11,119
Others	198,620	250,573
Total	1,744,355	2,433,643

15. PROVISION FOR IMPAIRMENT LOSSES

	Year ended 31 December	
	2014	2015
Available-for-sale financial assets	50,698	561,827
Financial assets held under resale agreements	104,912	113,118
Other non-current assets	3,307	83,644
Margin accounts receivable	247,781	6,606
Accounts receivable	—	4,672
Investments in joint ventures	2,000	—
Total	408,698	769,867

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2015
Current tax		
Mainland China income tax	1,825,304	6,156,847
Hong Kong profits tax	82,530	140,780
Adjustment in respect of current tax of prior years		
Mainland China income tax	(11,939)	(6,931)
Hong Kong profits tax	(1,470)	(1,708)
Deferred tax	410,580	(932,680)
Total tax charges for the year	2,305,005	5,356,308

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company's subsidiaries in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2014	2015
Profit before income tax	9,476,601	22,051,117
Tax at the PRC statutory tax rate of 25%	2,369,150	5,512,779
Effect of different tax rates of subsidiaries	(60,952)	(71,435)
Non-deductible expenses	201,590	173,758
Non-taxable income	(148,998)	(257,335)
Profits and losses attributable to joint ventures and associates	551	(1,130)
Tax losses not recognized	4,193	20,139
Utilization of tax losses previously not recognized	(137)	(11,829)
Adjustments in respect of current tax and deferred tax of prior years	(60,392)	(8,639)
Total tax charges for the year	2,305,005	5,356,308

17. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office during the Relevant Periods is as follows:

	Year ended 31 December 2014				
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonus	Remuneration
Executive Directors					
Wan Jianhua [2]	—	2,089	269	751	3,109
Chen Geng [3]	—	2,091	249	749	3,089
Tuo Qibin [4]	—	2,196	198	1,834	4,228
Non-executive Directors					
Pan Weidong [1] [5]	—	—	—	—	—
Yu Zhongmin [1] [6]	—	—	—	—	—
Deng Weili [1] [7]	—	—	—	—	—
Tong Wei [1] [8]	—	—	—	—	—
Xiong Peijin [1] [9]	—	—	—	—	—
Wang Yongjian[1]	—	—	—	—	—
Liu Qiang [1]	—	—	—	—	—
Shou Weiguang [1] [10]	—	—	—	—	—
Li Zhen [11]	80	—	—	—	80
Independent Non-executive Directors					
Ma Weihua [12]	120	—	—	—	120
Shi Derong	120	—	—	—	120
Chen Guogang	120	—	—	—	120
Jin Qingjun	120	—	—	—	120
Lin Zhaorong [13]	120	—	—	—	120
Supervisors					
Zheng Huirong [14]	—	2,087	252	752	3,091
Zhu Ning	—	1,614	272	863	2,749
Teng Tieqi	80	—	—	—	80
Shao Chong	80	—	—	—	80
Zhan Lingzhi [15]	80	—	—	—	80
Wang Weijie	—	995	207	1,008	2,210
Liu Xuefeng	—	869	233	1,397	2,499
	920	11,941	1,680	7,354	21,895

	Year ended 31 December 2015				
Name	**Fees**	**Salaries, allowances and benefits**	**Pension scheme contributions and other social welfare**	**Discretionary bonus**	**Remuneration**
Executive Directors					
Yang Dehong [16]	—	736	334	852	1,922
Wang Song [17]	—	693	335	2,945	3,973
Wan Jianhua [2]	—	368	137	889	1,394
Chen Geng [3]	—	358	137	887	1,382
Tuo Qibin [4]	—	1,630	198	1,307	3,135
Non-executive Directors					
Fu Fan [1] [18]	—	—	—	—	—
Zhong Maojun [1] [19]	—	—	—	—	—
Deng Weili [1] [7]	—	—	—	—	—
Zhou Lei [1] [20]	—	—	—	—	—
Xiong Peijin [1] [9]	—	—	—	—	—
Wang Yongjian [1]	—	—	—	—	—
Liu Qiang [1]	—	—	—	—	—
Tong Wei [1] [8]	—	—	—	—	—
Pan Weidong [1] [5]	—	—	—	—	—
Yu Zhongmin [1] [6]	—	—	—	—	—
Independent Non-executive Directors					
Ma Weihua [12]	120	—	—	—	120
Shi Derong [1]	—	—	—	—	—
Chen Guogang	120	—	—	—	120
Ling Tao [21]	—	—	—	—	—
Jin Qingjun	120	—	—	—	120
Lin Zhaorong [13]	120	—	—	—	120
Supervisors					
Shang Hongbo [22]	—	—	—	—	—
Zhu Ning	—	1,102	334	619	2,055
Teng Tieqi	80	—	—	—	80
Shao Chong	80	—	—	—	80
Zhan Lingzhi [15]	80	—	—	—	80
Wang Weijie	—	1,132	261	1,865	3,258
Liu Xuefeng	—	1,013	316	2,078	3,407
Zheng Huirong [14]	—	739	101	876	1,716
	720	7,771	2,153	12,318	22,962

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the Relevant Periods.

(2) Resigned as director on 13 May 2015.

(3) Resigned as director on 10 May 2015.

(4) Retired as director on 19 May 2016.

(5) Resigned as director on 28 April 2015.

(6) Resigned as director on 28 April 2015.

(7) Resigned as director on 25 September 2016.

(8) Appointed as director on 4 April 2014 and resigned as director on 29 January 2015.

(9) Appointed as director on 30 October 2014 and resigned as director on 19 May 2016.

(10) Resigned as director on 15 March 2014.

(11) Resigned as director on 10 October 2014.

(12) Retired as independent director on 19 May 2016.

(13) Resigned as independent director on 29 January 2015.

(14) Resigned as supervisor on 20 March 2015.

(15) Retired as supervisor on 19 May 2016.

(16) Appointed as chairman of director on 13 May 2015.

(17) Appointed as director on 8 September 2015.

(18) Appointed as director on 13 February 2015.

(19) Appointed as director on 13 May 2015.

(20) Appointed as director on 13 May 2015.

(21) Appointed as independent director on 13 February 2015. No remuneration has been paid to Mr. Ling Tao as at 31 December 2015.

(22) Appointed as supervisor on 13 May 2015.

18. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees, there were neither directors nor supervisors for the years ended 31 December 2014 and 2015. Details of the remuneration of the five highest paid employees are as follows:

	Year ended 31 December	
	2014	**2015**
Salaries, allowances and benefits	9,250	18,231
Pension scheme contributions and other social welfare	395	437
Discretionary bonus	36,497	30,428
Share-based payment	17,469	33,153
Total	63,611	82,249

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2014	2015
RMB8,000,001 to RMB9,000,000 yuan	1	—
RMB9,000,001 to RMB10,000,000 yuan	2	—
RMB10,000,001 to RMB11,000,000 yuan	—	1
RMB11,000,001 to RMB12,000,000 yuan	1	1
RMB14,000,001 to RMB15,000,000 yuan	—	1
RMB18,000,001 to RMB19,000,000 yuan	—	1
RMB24,000,001 to RMB25,000,000 yuan	1	—
RMB27,000,001 to RMB28,000,000 yuan	—	1
	5	5

19. DIVIDENDS

	Year ended 31 December	
	2014	2015
Proposed and paid dividends	305,000	762,500
Distribution to other equity instrument holders	—	590,000

Pursuant to the resolution of the meeting of shareholders held on 15 March 2014, the Company distributed cash dividends of RMB0.50 yuan for every 10 shares (tax included) amounting to RMB305 million in total for the year ended 31 December 2013.

Pursuant to the resolution of the meeting of shareholders held on 8 September 2015, the Company distributed cash dividends of RMB1.00 yuan for every 10 shares (tax included) amounting to RMB762.50 million in total for the six months ended 30 June 2015.

The dividend distribution of the Company triggered the mandatory interest payment event of perpetual subordinated bonds. As at 31 December 2015, the Company has recognized the dividend payable to other equity instrument holders of RMB590,000,000 Yuan.

20. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

The numerator of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect (a) the interest of dilutive potential ordinary shares recognized in profit or loss, where applicable, (b) the income or expenses from conversion of dilutive potential ordinary shares into ordinary shares, (c) the dilutive effect of subsidiaries' potential ordinary shares and (d) tax impact of the above adjustments.

The denominator of the diluted earnings per share amounts is the total number of (a) the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and (b) the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Year ended 31 December	
	2014	**2015**
Earnings		
Profit attributable to equity holders of the Company	6,757,912	15,700,291
Less: Profit attributable to other equity holders of the Company (1)	—	499,644
Profit attributable to ordinary equity holders of the Company	6,757,912	15,200,647
Less: Dilutive effect of a subsidiary's potential ordinary shares (2)	8,121	7,979
Adjusted profit attributable to ordinary equity holders of the Company	6,749,791	15,192,668
Shares		
Weighted average number of ordinary shares in issue during the year (in thousand)	6,100,000	6,887,917
Earnings per share attributable to ordinary equity holders of the Company (RMB yuan per share)		
— Basic	1.11	2.21
— Diluted	1.11	2.21

(1) The Company issued two batches of perpetual subordinated bonds during the year ended 31 December 2015, under the terms and conditions set out in note 53.

For the purpose of calculating basic earnings per ordinary share in respect of the year 2015, RMB499.64 million attributable to perpetual subordinated bonds was deducted from profits attributable to equity holders of the Company.

(2) The dilutive effect is due to the share options issued by Guotai Junan International Holdings Limited.

21. PROPERTY AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2014	906,119	249,605	39,619	712,029	20,586	126,801	729,546	44,746	2,829,051
Acquisition of a subsidiary	1,090,508	—	6,096	39,159	393	7,873	—	6,153	1,150,182
Additions	983	66,024	10,733	83,558	1,476	10,589	465,888	538	639,789
Transfers during the year	909,671	—	178	100,394	—	—	(987,586)	83	22,740
Disposals	(28,828)	(39,498)	(2,444)	(37,770)	(1,857)	(5,927)	—	(432)	(116,756)
As at 31 December 2014	2,878,453	276,131	54,182	897,370	20,598	139,336	207,848	51,088	4,525,006
Accumulated depreciation									
As at 1 January 2014	(295,704)	(172,643)	(29,616)	(501,297)	(16,270)	(89,298)	—	(22,401)	(1,127,229)
Depreciation charge	(67,308)	(44,631)	(3,180)	(105,197)	(1,252)	(11,905)	—	(1,321)	(234,794)
Transfers during the year	(14,879)	—	—	—	—	—	—	—	(14,879)
Disposals	20,370	27,960	2,151	34,562	1,725	5,146	—	549	92,463
As at 31 December 2014	(357,521)	(189,314)	(30,645)	(571,932)	(15,797)	(96,057)	—	(23,173)	(1,284,439)
Impairment									
As at 1 January 2014 and 31 December 2014	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 31 December 2014	2,428,679	86,817	23,537	325,438	4,801	43,279	207,848	27,915	3,148,314
Cost									
As at 1 January 2015	2,878,453	276,131	54,182	897,370	20,598	139,336	207,848	51,088	4,525,006
Acquisition of a subsidiary	—	—	—	18	—	782	—	152	952
Additions	12,560	94,778	2,336	166,343	1,396	17,175	400,701	27,460	722,749
Transfers during the year	—	—	130	119,111	—	—	(259,893)	472	(140,180)
Disposals	(16,214)	—	(5,869)	(58,926)	(4,314)	(7,781)	—	(1,418)	(94,522)
As at 31 December 2015	2,874,799	370,909	50,779	1,123,916	17,680	149,512	348,656	77,754	5,014,005
Accumulated depreciation									
As at 1 January 2015	(357,521)	(189,314)	(30,645)	(571,932)	(15,797)	(96,057)	—	(23,173)	(1,284,439)
Depreciation charge	(101,539)	(45,615)	(4,040)	(133,749)	(1,441)	(12,682)	—	(2,124)	(301,190)
Disposals	12,684	—	3,602	55,498	4,052	7,564	—	1,202	84,602
As at 31 December 2015	(446,376)	(234,929)	(31,083)	(650,183)	(13,186)	(101,175)	—	(24,095)	(1,501,027)
Impairment									
As at 1 January 2015 and 31 December 2015	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 31 December 2015	2,336,170	135,980	19,696	473,733	4,494	48,337	348,656	53,659	3,420,725

As at 31 December 2014 and 2015, included in buildings, with costs of RMB274,844 thousand and RMB248,603 thousand respectively, for which the Group has yet to obtain the relevant certificates.

The Company

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Total
Cost								
As at 1 January 2014	541,145	237,186	38,763	641,313	18,330	118,692	703,452	2,298,881
Additions	743	41,380	9,201	56,860	770	8,558	331,352	448,864
Transfers during the year	811,767	—	—	99,992	—	—	(974,046)	(62,287)
Disposals	(23,850)	(39,498)	—	(26,868)	(1,544)	(3,865)	—	(95,625)
As at 31 December 2014	1,329,805	239,068	47,964	771,297	17,556	123,385	60,758	2,589,833
Accumulated depreciation								
As at 1 January 2014	(248,738)	(165,311)	(29,136)	(440,408)	(14,347)	(84,941)	—	(982,881)
Depreciation charge	(32,052)	(36,405)	(1,662)	(82,262)	(1,120)	(9,979)	—	(163,480)
Disposals	13,334	27,960	—	24,477	1,480	3,642	—	70,893
As at 31 December 2014	(267,456)	(173,756)	(30,798)	(498,193)	(13,987)	(91,278)	—	(1,075,468)
Impairment								
As at 1 January 2014 and 31 December 2014	(92,253)	—	—	—	—	—	—	(92,253)
Net carrying amount								
As at 31 December 2014	970,096	65,312	17,166	273,104	3,569	32,107	60,758	1,422,112
Cost								
As at 1 January 2015	1,329,805	239,068	47,964	771,297	17,556	123,385	60,758	2,589,833
Additions	3,317	44,066	1,464	121,945	1,252	14,161	163,916	350,121
Transfers during the year	—	—	—	69,514	—	—	(141,888)	(72,374)
Disposals	(16,214)	—	(858)	(38,463)	(1,378)	(5,525)	—	(62,438)
As at 31 December 2015	1,316,908	283,134	48,570	924,293	17,430	132,021	82,786	2,805,142
Accumulated depreciation								
As at 1 January 2015	(267,456)	(173,756)	(30,798)	(498,193)	(13,987)	(91,278)	—	(1,075,468)
Depreciation charge	(41,905)	(34,054)	(2,160)	(99,546)	(1,226)	(9,570)	—	(188,461)
Disposals	12,684	—	801	36,523	1,328	5,464	—	56,800
As at 31 December 2015	(296,677)	(207,810)	(32,157)	(561,216)	(13,885)	(95,384)	—	(1,207,129)
Impairment								
As at 1 January 2015 and 31 December 2015	(92,253)	—	—	—	—	—	—	(92,253)
Net carrying amount								
As at 31 December 2015	927,978	75,324	16,413	363,077	3,545	36,637	82,786	1,505,760

As at 31 December 2014 and 2015, included in buildings, with costs of RMB258,679 thousand and RMB232,197 thousand respectively, for which the Company has yet to obtain the relevant certificates.

22. PREPAID LAND LEASE PAYMENTS

The Group

	Year ended 31 December	
	2014	**2015**
Cost		
As at 1 January	875,925	876,029
Acquisition of a subsidiary	104	—
As at 31 December	876,029	876,029
Accumulated amortization		
As at 1 January	—	(14,323)
Amortization	(14,323)	(19,106)
As at 31 December	(14,323)	(33,429)
Carrying amount		
As at 31 December	861,706	842,600

23. GOODWILL

The Group

	As at 31 December	
	2014	**2015**
Cost	581,407	581,407
Less: Impairment losses	—	—
Net carrying amount	581,407	581,407

Impairment testing on goodwill

	As at 31 December	
	2014	**2015**
Cost and carrying value		
Unit A — Shanghai Securities Co., Ltd.	578,916	578,916
Unit B — Guotai Junan Futures Co., Ltd.	2,491	2,491
Total	581,407	581,407

The Company acquired 51% of the equity interest in Shanghai Securities Co., Ltd. ("Shanghai Securities") from Shanghai International Group Co., Ltd. in July 2014. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Shanghai Securities Co., Ltd.

The Company acquired 100% of the equity interest in Guotai Junan Futures Co., Ltd. from a third party in 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd.

The recoverable amounts of Unit A and Unit B are based on the present value of expected future cash flows. As at 31 December 2014 and 2015, based on the units' past performance and management's expectations for the market development, management believed that it was unlikely the carrying amount of the CGU exceeded its recoverable amount and determined there was no impairment for both CGUs.

24. OTHER INTANGIBLE ASSETS

The Group

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2014	191,681	202,124	—	32,827	426,632
Additions	56,627	4,516	—	6	61,149
Acquisition of a subsidiary	17,015	—	1,066,264	—	1,083,279
Disposal	—	—	—	(15)	(15)
As at 31 December 2014	265,323	206,640	1,066,264	32,818	1,571,045
Accumulated amortization					
As at 1 January 2014	(87,775)	(128,068)	—	(1,200)	(217,043)
Amortization	(38,561)	(11)	—	(2)	(38,574)
As at 31 December 2014	(126,336)	(128,079)	—	(1,202)	(255,617)
Impairment					
As at 1 January 2014 and 31 December 2014	—	(4,756)	—	(6,252)	(11,008)
Net carrying amount					
As at 31 December 2014	138,987	73,805	1,066,264	25,364	1,304,420
Cost					
As at 1 January 2015	265,323	206,640	1,066,264	32,818	1,571,045
Additions	99,822	600	—	356	100,778
As at 31 December 2015	365,145	207,240	1,066,264	33,174	1,671,823
Accumulated amortization					
As at 1 January 2015	(126,336)	(128,079)	—	(1,202)	(255,617)
Amortization	(54,023)	—	—	(33)	(54,056)
As at 31 December 2015	(180,359)	(128,079)	—	(1,235)	(309,673)
Impairment					
As at 1 January 2015 and 31 December 2015	—	(4,756)	—	(6,252)	(11,008)
Net carrying amount					
As at 31 December 2015	184,786	74,405	1,066,264	25,687	1,351,142

The Company

	Software	Trading seats rights	Others	Total
Cost				
As at 1 January 2014	140,969	194,956	30,456	366,381
Additions	44,615	4,500	4	49,119
As at 31 December 2014	185,584	199,456	30,460	415,500
Accumulated amortization				
As at 1 January 2014	(56,813)	(124,838)	(6,649)	(188,300)
Amortization	(27,493)	—	(2)	(27,495)
As at 31 December 2014	(84,306)	(124,838)	(6,651)	(215,795)
Impairment				
As at 1 January 2014 and 31 December 2014	—	(2,323)	—	(2,323)
Net carrying amount				
As at 31 December 2014	101,278	72,295	23,809	197,382
Cost				
As at 1 January 2015	185,584	199,456	30,460	415,500
Additions	72,464	600	58	73,122
As at 31 December 2015	258,048	200,056	30,518	488,622
Accumulated amortization				
As at 1 January 2015	(84,306)	(124,838)	(6,651)	(215,795)
Amortization	(38,222)	—	(33)	(38,255)
As at 31 December 2015	(122,528)	(124,838)	(6,684)	(254,050)
Impairment				
As at 1 January 2015 and 31 December 2015	—	(2,323)	—	(2,323)
Net carrying amount				
As at 31 December 2015	135,520	72,895	23,834	232,249

25. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December	
	2014	2015
Unlisted shares, carried at cost	9,507,326	10,985,871
Less: Impairment losses	—	—
Total	9,507,326	10,985,871

(a) Details of subsidiaries held by the Company

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Issued capital (Expressed in yuan)	Principal activities	Equity interest held as at 31 December		Auditor* and GAAP as at 31 December	
				2014	2015	2014	2015
GTJA Innovation Investment Co., Ltd. (3)	PRC, 20 May 2009	RMB2,800,000,000	Direct investment and investment consulting	100%	100%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
Shanghai Guotai Junan Securities Assets Management Co., Ltd. (3).	PRC, 27 Aug 2010	RMB800,000,000	Securities asset management	100%	100%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
Shanghai Guoxiang Real Estate Co., Ltd. (3)	PRC, 30 Dec 2011	RMB480,000,000	Real estate and property management	100%	100%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
Guotai Junan Financial Holdings Limited (3)	HK, 10 Aug 2007	HKD31,980,000	Investment service	100%	100%	EY; HKFRS	EY; HKFRS
Guotai Junan Futures Co., Ltd. (3)	PRC, 6 Apr 2000	RMB1,200,000,000	Futures brokerage and investment	100%	100%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
Shanghai Securities Co., Ltd. (3).	PRC, 27 Apr 2001	RMB2,610,000,000	Securities brokerage	51%	51%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
GTJA Allianz Funds Co., Ltd. (1),(3)	PRC, 3 Apr 2003	RMB150,000,000	Fund management	51%	51%	KPMG PRC; PRC GAAP	KPMG PRC; PRC GAAP
Shanghai Gelong Entrepreneurship Investment Co., Ltd.	PRC, 12 Feb 2014	RMB1,000,000	Venture capital investment and management	100%	100%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
Guotai Junan Risk Management Co., Ltd.	PRC, 18 Nov 2014	RMB50,000,000	Investment and asset management	100%	100%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
Shanghai GTJA Juntong Investment Management Co., Ltd..	PRC, 24 Jun 2015	RMB10,000,000	Venture capital investment	N/A	100%	N/A	EY PRC; PRC GAAP

Name of company	Place and date of incorporation/ establishment	Issued capital (Expressed in yuan)	Principal activities	Equity interest held as at 31 December		Auditor* and GAAP as at 31 December	
				2014	2015	2014	2015
Guotai Junan (Shanghai) Science and technology equity investment fund management Co., Ltd.	PRC, 11 Nov 2015	RMB20,000,000	Industrial and venture capital investment	N/A	100%	N/A	EY PRC; PRC GAAP
Shanghai Shipping Industry Fund Management Co., Ltd.	PRC, 21 Jan 2011	RMB100,000,000	Fund management	N/A	35%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
Shanghai Shipping capital (Hongkong) Holding Co., Ltd.	HK, 15 Jun 2012	HKD5,000,000	Fund management	N/A	35%	EY; HKFRS	EY; HKFRS
Haiji Securities Co., Ltd. (2)	PRC, 13 Sep 2004	RMB500,000,001	Securities underwriting	51%	51%	SCPA; PRC GAAP	SCPA; PRC GAAP
Hicend Futures Co., Ltd.	PRC, 14 Dec 1995	RMB160,000,000	Futures brokerage	51%	51%	EY PRC; PRC GAAP	EY PRC; PRC GAAP
Guotai Junan Investments (Hong Kong) Limited	HK, 12 Feb 1997	HKD33,500,000	Investment	100%	100%	EY; HKFRS	EY; HKFRS
Guotai Junan Consultancy Services (Shenzhen) Limited	PRC, 6 May 2003	HKD12,000,000	Investment consulting	100%	100%	EY; PRC GAAP	EY; PRC GAAP
Guotai Junan Holdings Limited (BVI)	BVI, 3 March 2010	USD1	Investment	100%	100%	EY; IFRS	EY; IFRS
Guotai Junan International Holdings Limited ("GJIHL")	HK, 8 March 2010	HKD693,430,820	Investment and financing	66.15%	65.28%	EY; HKFRS	EY; HKFRS
Guotai Junan (Hong Kong) Limited (Original Guotai Junan Financial Holdings (Samoa) Limited)	Samoa, 28 Jun 1995	HKD4,031,701,070	Investment and administrative management	66.15%	65.28%	EY; IFRS	EY; IFRS
Guotai Junan Fund Management Limited	HK, 3 Jan 2008	HKD10,000,000	Fund management	33.08%	32.64%	EY; HKFRS	EY; HKFRS
Guotai Junan Securities (Hong Kong) Limited	HK, 8 Jul 1993	HKD4,700,000,000	Securities brokerage	66.15%	65.28%	EY; HKFRS	EY; HKFRS
Guotai Junan Finance (Hong Kong) Limited	HK, 3 Aug 1995	HKD300,000,000	Investment and financing	66.15%	65.28%	EY; HKFRS	EY; HKFRS
Guotai Junan Futures (Hong Kong) Limited	HK, 3 Aug 1995	HKD50,000,000	Futures broking, etc.	66.15%	65.28%	EY; HKFRS	EY; HKFRS
Guotai Junan Capital (Hong Kong) Limited	HK, 8 Aug 1995	HKD50,000,000	Investment consulting	66.15%	65.28%	EY; HKFRS	EY; HKFRS
Guotai Junan Assets (Asia) Limited	HK, 28 Oct 1996	HKD50,000,000	Fund management	66.15%	65.28%	EY; HKFRS	EY; HKFRS
Guotai Junan FX Limited	HK, 31 Mar 2010	HKD30,000,000	Foreign exchange dealing	66.15%	65.28%	EY; HKFRS	EY; HKFRS
Guotai Junan Finance Holdings Limited (BVI)	BVI, 2 Apr 2014	USD1	Financial financing	100%	100%	EY; IFRS	EY; IFRS
Guotai Junan International (Singapore) Holdings Pte. Limited	SG, 1 Jul 2015	SGD300,000	Investment management	N/A	65.28%	N/A	EY Singapore; Singapore FRS

Name of company	Place and date of incorporation/ establishment	Issued capital (Expressed in yuan)	Principal activities	Equity interest held as at 31 December		Auditor* and GAAP as at 31 December	
				2014	2015	2014	2015
Guotai Junan International Asset Management (Singapore) Pte. Limited .	SG, 1 Jul 2015	SGD300,000	Investment management	N/A	65.28%	N/A	EY Singapore; Singapore FRS
Guotai Junan Financial Products Limited	HK, 29 Sep 2015	HKD1,000,000	Investment and securities trading	N/A	65.28%	N/A	EY; HKFRS

* Auditors of subsidiaries of the Group are as follows:

- EY PRC represents Ernst & Young Hua Ming LLP, 安永華明會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;
- EY represents Ernst & Young, a firm of certified public accountants registered in Hong Kong;
- EY Singapore represents Ernst & Young LLP, a firm of certified public accountants registered in Singapore;
- KPMG PRC represents KPMG Huazhen LLP, 畢馬威華振會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC;
- SCPA represents Shanghai Certificated Public Accountants LLP, 上會會計師事務所(特殊普通合夥), a firm of certified public accountants registered in the PRC.

(1) On 20 August 2016, pursuant to the approval of the Board of Directors, the Company resolved to sell its entire 51% equity interest in GTJA Allianz Funds Co., Ltd. ("GTJA Allianz Funds"). In January 2017, the equity interest was listed for sale on the Shanghai United Assets and Equity Exchange. Upon the completion of the transaction, the Company will not hold any interest in GTJA Allianz Funds. The proposed transaction is subject to the approval from the CSRC.

(2) On 11 December 2015, Shanghai Securities Co., Ltd., a subsidiary of the Company, entered into an agreement with Guiyang Financial Holding Co., Ltd. to sell 66.67% of its interests in Haiji Securities Co., Ltd. ("Haiji Securities") in exchange for a consideration of RMB3,011,220 thousand. On 25 February 2016, this transaction was approved by the CSRC. As a result of the transaction, the Company lost the control over Haiji Securities and subsequently accounted for the investment in Haiji Securities using the equity method. In December 2016, Guiyang Financial Holding Co., Ltd contributed RMB5 billion to Haiji Securities. As a result, the shareholding of Haiji Securities held by Shanghai Securities decreased from 33.33% to 5.08%.

(3) These subsidiaries are directly held by the Company.

(b) Partly-owned subsidiaries with material non-controlling interests

The following table lists the information related to the major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination.

Shanghai Securities

	As at 31 December	
	2014	**2015**
NCI percentage	49.00%	49.00%
Current assets	21,576,305	33,429,359
Non-current assets	3,543,133	4,569,303
Current liabilities	18,027,153	24,359,351
Non-current liabilities	2,199,130	7,481,563
Net assets	4,893,155	6,157,748
Carrying amount of NCI	3,094,820	3,700,751

	From the acquisition date till 31 December 2014	**Year ended 31 December 2015**
Revenue and other income	1,351,096	4,511,228
Total expenses	1,001,331	3,270,142
Profit for the period/year	349,765	1,241,086
Total comprehensive income	434,223	1,373,189
Profit attributable to NCI	170,288	590,825
Dividend paid to NCI	48,004	53,212
Cash flows from/(used in) operating activities	2,700,816	(2,062,496)
Cash flows from investing activities	889,489	2,308,130
Cash flows from financing activities	1,275,295	6,684,130

GJIHL

	As at 31 December	
	2014	2015
NCI percentage	33.85%	34.72%
Current assets	411,396	30,737,047
Non-current assets	16,947,594	536,807
Current liabilities	10,978,276	22,269,791
Non-current liabilities	807,178	2,607,397
Net assets	5,573,536	6,396,666
Carrying amount of NCI	1,965,092	2,314,668

	Year ended 31 December	
	2014	2015
Revenue and other income	1,316,126	1,831,327
Total expenses	680,729	1,015,283
Profit for the year	635,397	816,044
Total comprehensive income	635,397	816,044
Profit attributable to NCI	208,109	281,934
Dividend paid to NCI	103,699	146,341
Cash flows used in operating activities	(2,749,662)	(3,484,267)
Cash flows used in investing activities	(18,099)	(27,257)
Cash flows from financing activities	3,171,752	5,031,029

(c) Business combination

Shanghai Securities Co., Ltd.

On 1 July 2014, pursuant to the approval by the CSRC, the Company acquired a 51% interest in Shanghai Securities from Shanghai International Group Co., Ltd., at a consideration of RMB3.571 billion. The change of business registration by Shanghai Securities was completed on 8 July 2014. The Group recognized the excess of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill.

The fair values of the identifiable assets and liabilities of Shanghai Securities as at the date of acquisition were as follows:

	Fair value recognized as at the date of acquisition
Property and equipment	1,179,221
Other intangible assets	1,083,383
Available-for-sale financial assets	3,655,041
Margin accounts receivable	2,719,851
Financial assets at fair value through profit or loss	1,921,139
Cash held on behalf of brokerage customers	5,666,340
Other current and non-current assets	1,690,788
Loans and borrowings	(1,000,000)
Placements from other financial institutions	(662,000)
Accounts payable to brokerage customers	(5,817,349)
Employee benefits payable	(162,759)
Financial assets sold under repurchase agreements	(2,731,906)
Bonds payable	(899,797)
Deferred tax liabilities	(485,017)
Other current and non-current liabilities	(117,684)
Total identifiable net assets at fair value	6,039,251
Attributable to:	
Owners of Shanghai Securities	5,914,874
Non-controlling interests	124,377
Total identifiable net assets at fair value acquired by the Company (51% interest)	3,016,586
Less: Profit attributable to Shanghai International Group Co., Ltd. from the valuation base date to the acquisition date	(24,482)
Goodwill on acquisition	578,916
Satisfied by cash	3,571,020

Goodwill arose from the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Shanghai Securities contributed RMB1,341 million to the Group's revenue and RMB350 million to the consolidated profit for the year ended 31 December 2014.

Had the acquisition been completed on 1 January 2014, the Group's revenue for the year ended 31 December 2014 would have been RMB26,280 million, and the Group's net profit for the year would have been RMB7,343 million.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	As at 31 December	
	2014	2015
Cash consideration paid	(1,071,306)	(2,499,714)
Cash and bank balances acquired	996,905	—
Net outflow of cash and cash equivalents included in cash flows from investing activities	(74,401)	(2,499,714)

26. INTERESTS IN STRUCTURED ENTITIES

(a) INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities including asset management schemes, trust schemes and limited partnerships. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of those structured entities that is of such significance that it indicates that the Group is a principal.

The total assets of these consolidated structured entities amounted to RMB18,333 million and RMB19,209 million as at 31 December 2014 and 2015, respectively.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statements of financial position.

(b) INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group exercises the power throughout the structured entities including limited partnerships and asset management products by acting as manager or general partner during the year. Except for the structured entities the Group has consolidated stated in note 26(a), in management's opinion, the variable returns the Group exposed to over these structured entities that the Group has interest in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as available-for-sale financial assets and financial assets at fair value through profit or loss. As at 31 December 2014 and 2015, the carrying amounts of the

Group's interests in unconsolidated structured entities amounted to RMB961 million and RMB5,892 million, respectively. The management fee arising from these unconsolidated structured entities amounted to RMB105 million and RMB1,093 million for the years ended 31 December 2014 and 2015, respectively.

The carrying amounts of interests in unconsolidated structured entities in the consolidated statements of financial position are approximately equal to the maximum exposure to the loss of interests held by the Group in the unconsolidated structured entities.

27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group

	As at 31 December	
	2014	**2015**
Share of net assets		
— Associates	342,209	373,657
— Joint ventures	24,085	555,398
Total	366,294	929,055

The Company

	As at 31 December	
	2014	**2015**
Share of net assets		
— Associate	187,931	185,427

At the end of each reporting period, the Group had the following associates and joint ventures:

Name of associates and joint ventures	**Place of incorporation**	**Issued capital (Expressed in yuan)**	**Principal activities**	**Percentage of equity interest as at 31 December**	
				2014	**2015**
Associates:					
Anhui Guozhen Group Co., Ltd.	PRC	RMB82,810,000	Environmental industry, real estate and power industry	25%	25%
Anhui Panguhongye Equity Investment Centre LLP	PRC	RMB30,300,000	Investment and financing	33%	33%
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	PRC	RMB400,000,000	Investment management and advisory	25%	25%
Shenzhen GTJA Leading Junding Phase 1 Investment Fund LLP	PRC	RMB130,000,000	Investment management and advisory	38%	38%

Name of associates and joint ventures	Place of incorporation	Issued capital (Expressed in yuan)	Principal activities	Percentage of equity interest as at 31 December	
				2014	2015
Shanghai Shipping Industry Fund Management Co., Ltd. (1)	PRC	RMB100,000,000	Investment management and advisory	35%	N/A
Yingtanshi GTJA Chuangtoulongxin Equity Investment Centre LLP	PRC	RMB169,187,000	Investment management and advisory	N/A	18%
Joint ventures:					
GTJA Shenyi (Shenzhen) Funds Management Co., Ltd. (2)	PRC	RMB20,000,000	Investment management and advisory	51%	51%
GTJA Leading Investment Management Co., Ltd. (2)	PRC	RMB30,000,000	Investment management and advisory	51%	51%
Botai Fangde (Beijing) Capital Management Limited (2),(3)	PRC	RMB20,000,000	Investment management and advisory	51%	N/A
Xiamen GTJA Jianfa Equity Investment Company LLP	PRC	RMB100,000,000	Investment management and advisory	N/A	20%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	PRC	RMB200,000,000	Investment management and advisory	N/A	25%
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	PRC	RMB500,000,000	Investment management and advisory	N/A	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP (2)	PRC	RMB1,000,200,000	Investment management and advisory	N/A	55%
Shanghai North Industries GTJA Investment Management Co., Ltd.	PRC	RMB10,000,000	Investment management and advisory	N/A	40%

(1) On 13 February, 2015, GTJA Innovation Investment Co., Ltd. ("GTJA Innovation Investment") and all the other investors of Shanghai Shipping Industry Fund Management Co., Ltd. ("Shanghai Shipping Industry") entered into an agreement, whereby it was agreed to have GTJA Innovation Investment dominate the operation of Shanghai Shipping Industry. As a result, Shanghai Shipping Industry ceased to be an associate and became a subsidiary of the Group.

(2) Although the Group's percentages of shareholding in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control of these investees due to relevant arrangements stipulated in the articles of association or other agreements.

(3) The Group disposed of the investment in Botai Fangde (Beijing) Capital Management Limited in 2015.

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Year end 31 December	
	2014	2015
Share of associates' profit and total comprehensive income for the year	282	14,194
Share of joint ventures' profit and total comprehensive income for the year	116	3,078

	Year end 31 December	
	2014	2015
Aggregate carrying amount of the Group's investments in associates	342,209	373,657
Aggregate carrying amount of the Group's investments in joint ventures	24,085	555,398

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

Non-current

	As at 31 December	
	2014	2015
At fair value:		
— Equity securities (2) (3)	7,066,129	11,003,291
— Funds (2)	337,727	380,922
— Debt securities	6,224,265	4,294,938
— Other investments (1) (2)	1,575,863	22,925,774
At cost:		
— Equity securities	343,980	1,351,679
— Other investments (1)	195,137	9,831
Less: Impairment losses	(206,667)	(562,873)
Total	15,536,434	39,403,562
Analyzed as:		
Listed in Hong Kong	1,289,457	1,711,521
Listed outside Hong Kong	8,442,212	10,893,641
Unlisted	5,804,765	26,798,400
Total	15,536,434	39,403,562

Current

	As at 31 December	
	2014	2015
At fair value:		
— Debt securities	914,834	17,672
— Other investments (1)	304,000	500,000
Less: Impairment losses	—	—
Total	1,218,834	517,672
Analyzed as:		
Listed outside Hong Kong	99,181	17,672
Unlisted	1,119,653	500,000
Total	1,218,834	517,672

The Company

Non-current

	As at 31 December	
	2014	2015
At fair value:		
— Equity securities (2) (3)	5,464,418	7,043,901
— Funds (2)	231,631	52,589
— Debt securities	3,402,194	2,732,802
— Other investments (1) (2)	1,126,886	20,993,921
At cost:		
— Equity securities	61,290	361,290
— Other investments (1)	195,137	9,831
Less: Impairment losses	(153,537)	(386,671)
Total	10,328,019	30,807,663
Analyzed as:		
Listed in Hong Kong	310,391	779,877
Listed outside Hong Kong	5,785,407	7,256,325
Unlisted	4,232,221	22,771,461
Total	10,328,019	30,807,663

Current

	As at 31 December	
	2014	2015
At fair value:		
— Other investments (1)	304,000	500,000
Less: Impairment losses	—	—
Total	304,000	500,000
Analyzed as:		
Unlisted	304,000	500,000

(1) Other investments mainly represent investments in asset management schemes issued and managed by the Group and the Company, wealth management products issued by banks and targeted asset management schemes (or trust investments) and assets-back securities managed by non-bank financial institutions.

In addition, as at 31 December 2015, other investments of the non-current available-for-sale financial assets included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). Under the relevant agreements with CSFC, the Company contributed a total amount of RMB17,014 million in July and September 2015. CSFC manages operation and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. It is unclear how CSFC will invest the funds contributed and when the investment will be returned. As at 31 December 2015, the fair value of the Company's contribution was RMB16,169 million based on the investment account statement provided by CSFC.

(2) As at 31 December 2014 and 2015, the listed equity securities of the Group included approximately RMB351,890 thousand and RMB1,492,406 thousand of restricted shares, respectively. As at 31 December 2014 and 2015, the listed equity securities of the Company included approximately RMB19,505 thousand and RMB21,562 thousand of restricted shares, 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 value of the securities is determined by reference to the quoted market prices and discounted to reflect the effect of the restriction.

As at 31 December 2014 and 2015, the fund investments with lock-up periods held by the Group were approximately RMB97,786 thousand and RMB64,493 thousand respectively. As at 31 December 2014 and 2015, there were no fund investments with lock-up period included in the available-for-sale financial assets held by the Company.

As at 31 December 2014 and 2015, the collective asset management schemes with lock-up periods held by the Group amounted to approximately RMB448,710 thousand and RMB540,838 thousand respectively. As at 31 December 2014 and 2015, the collective asset management schemes with lock-up periods held by the Company amounted to approximately RMB61,325 thousand and RMB82,985 thousand, respectively.

As at 31 December 2014 and 2015, the Group and the Company entered into securities lending arrangements with clients that resulted in the transfer of available-for-sale investments with a total fair value of RMB1,075,633 thousand and RMB71,223 thousand to external clients, respectively. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.

(3) The fair value of collateral for the securities lending business is analyzed in note 36 together with the fair value of collateral of the margin financing business.

29. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

The Group

Non-current

	As at 31 December	
	2014	2015
Equity securities	3,091,518	4,800,870
Funds	815	—
Less: Impairment losses	(19,807)	(31,622)
Total	3,072,526	4,769,248

Current

	As at 31 December	
	2014	2015
Equity securities	10,889,073	17,936,171
Funds	3,986	1,209
Debt securities	18,441,185	16,962,937
Others	—	120,050
Less: Impairment losses	(156,582)	(257,885)
Total	29,177,662	34,762,482

The Company

Non-current

	As at 31 December	
	2014	2015
Equity securities	2,041,143	3,014,695
Funds	815	—
Less: Impairment losses	(19,807)	(28,975)
Total	2,022,151	2,985,720

Current

	As at 31 December	
	2014	2015
Equity securities	3,635,726	9,526,765
Funds	3,986	1,209
Debt securities	17,508,546	15,838,926
Others	—	120,050
Less: Impairment losses	(116,251)	(227,190)
Total	21,032,007	25,259,760

(b) Analyzed by market:

The Group

Non-current

	As at 31 December	
	2014	2015
Shenzhen stock exchange	2,069,277	4,090,160
Shanghai stock exchange	1,023,056	710,710
Less: Impairment losses	(19,807)	(31,622)
Total	3,072,526	4,769,248

Current

	As at 31 December	
	2014	2015
Shenzhen stock exchange	8,070,569	14,081,416
Shanghai stock exchange	5,098,848	6,099,483
Interbank market	16,164,827	14,719,418
Over the counter	—	120,050
Less: Impairment losses	(156,582)	(257,885)
Total	29,177,662	34,762,482

The Company

Non-current

	As at 31 December	
	2014	2015
Shenzhen stock exchange	1,068,902	2,657,146
Shanghai stock exchange	973,056	357,549
Less: Impairment losses	(19,807)	(28,975)
Total	2,022,151	2,985,720

Current

	As at 31 December	
	2014	2015
Shenzhen stock exchange	2,569,422	5,998,869
Shanghai stock exchange	3,036,648	5,075,625
Interbank market	15,542,188	14,292,406
Over the counter	—	120,050
Less: Impairment losses	(116,251)	(227,190)
Total	21,032,007	25,259,760

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

Non-current

	As at 31 December	
	2014	2015
Designated as at fair value through profit or loss:		
Funds	—	101,732
Debt securities	462,998	—
Total	462,998	101,732
Analyzed as:		
Unlisted	462,998	101,732

Current

	As at 31 December	
	2014	2015
Held for trading:		
Equity securities	5,951,651	5,895,671
Funds	10,595,324	24,925,492
Debt securities	38,501,488	56,560,666
Other investments	98,478	308,296
Designated as at fair value through profit or loss:		
Equity securities	204,463	271,929
Funds	895,831	2,510,512
Debt securities	—	437,865
Total	56,247,235	90,910,431
Analyzed as:		
Listed in Hong Kong	651,675	1,402,808
Listed outside Hong Kong	25,369,586	35,445,264
Unlisted (1)	30,225,974	54,062,359
Total	56,247,235	90,910,431

The Company

Current

	As at 31 December	
	2014	2015
Held for trading:		
Equity securities	5,141,083	4,772,028
Funds	9,316,646	19,716,838
Debt securities	29,067,741	49,312,063
Other investments	98,478	308,296
Total	43,623,948	74,109,225
Analyzed as:		
Listed outside Hong Kong	20,147,401	28,639,716
Unlisted (1)	23,476,547	45,469,509
Total	43,623,948	74,109,225

(1) Unlisted securities mainly comprise of debt securities traded on the Interbank Bond Market.

31. REFUNDABLE DEPOSITS

The Group

	As at 31 December	
	2014	2015
Deposits with exchanges and other financial institutions:		
Futures business	5,550,499	5,001,077
Credit business	736,248	721,839
Trading business	239,305	711,924
Others	123,686	80,907
Total	6,649,738	6,515,747

The Company

	As at 31 December	
	2014	2015
Deposits with exchanges and other financial institutions:		
Futures business	539,652	470,238
Credit business	375,665	259,268
Trading business	117,835	553,665
Others	13,953	15,427
Total	1,047,105	1,298,598

32. DEFERRED TAX

For the purpose of presentation in the Group and the Company's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

The Group

	As at 31 December	
	2014	2015
Deferred tax assets	127,260	218,134
Deferred tax liabilities	(1,344,391)	(250,308)
	(1,217,131)	(32,174)

The Company

	As at 31 December	
	2014	**2015**
Deferred tax assets	—	646,417
Deferred tax liabilities	(719,400)	—
	(719,400)	646,417

The following are the major deferred tax assets/(liabilities) recognized and movements thereon in the Relevant Periods:

The Group

Deferred tax arising from:	**Provision for impairment losses**	**Employee benefits payable**	**Changes in fair value of financial instruments**	**Fair value adjustment arising from acquisition of subsidiaries**	**Others**	**Total**
As at 1 January 2014	62,038	27,822	108,358	—	(34,985)	163,233
Recognized in profit or loss	62,131	340,271	(799,473)	4,667	(18,176)	(410,580)
Acquisition of a subsidiary	30,663	402	13,267	(484,988)	1,186	(439,470)
Recognized in other comprehensive income	—	—	(530,314)	—	—	(530,314)
As at 31 December 2014	154,832	368,495	(1,208,162)	(480,321)	(51,975)	(1,217,131)
Recognized in profit or loss	113,344	808,097	(24,990)	9,333	26,896	932,680
Recognized in other comprehensive income	—	—	252,277	—	—	252,277
As at 31 December 2015	268,176	1,176,592	(980,875)	(470,988)	(25,079)	(32,174)

The Company

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Others	Total
As at 1 January 2014	59,909	—	26,540	(31,057)	55,392
Recognized in profit or loss	80,422	253,733	(672,849)	(726)	(339,420)
Recognized in other comprehensive income	—	—	(435,372)	—	(435,372)
As at 31 December 2014	140,331	253,733	(1,081,681)	(31,783)	(719,400)
Recognized in profit or loss	90,714	790,180	(7,632)	624	873,886
Recognized in other comprehensive income	—	—	491,931	—	491,931
As at 31 December 2015	231,045	1,043,913	(597,382)	(31,159)	646,417

The Group and the Company did not have significant unrecognized deductible temporary differences and deductible losses.

33. OTHER NON-CURRENT ASSETS

The Group

	As at 31 December	
	2014	2015
Long-term deferred expenses (1)	58,564	44,420
Debt instruments classified as receivables	320,000	200,000
Prepayments (2)	1,118,525	1,212,971
Advances to be recovered from the lawsuit	256,037	256,037
Others	222,559	304,319
Less: Impairment losses (3)	(478,596)	(560,356)
Total	1,497,089	1,457,391

The Company

	As at 31 December	
	2014	**2015**
Long-term deferred expenses (1)	56,857	42,950
Debt instruments classified as receivables	320,000	200,000
Prepayments (2)	622,268	572,268
Advances to be recovered from the lawsuit	256,037	256,037
Others	213,726	218,077
Less: Impairment losses (3)	(469,763)	(474,114)
Total	999,125	815,218

(1) The movements of long-term deferred expenses are shown below:

The Group

	As at 31 December	
	2014	**2015**
Balance at beginning of the year	44,686	58,564
Additions	42,026	13,105
Amortization	(28,148)	(27,249)
Balance at end of the year	58,564	44,420

The Company

	As at 31 December	
	2014	**2015**
Balance at beginning of the year	43,152	56,857
Additions	39,615	12,441
Amortization	(25,910)	(26,348)
Balance at end of the year	56,857	42,950

(2) The details of prepayments are shown below:

The Group

	As at 31 December	
	2014	2015
Prepaid equity investments (i)	546,257	640,703
Prepaid construction expenditure (ii)	572,268	572,268
Total	1,118,525	1,212,971

The Company

	As at 31 December	
	2014	2015
Prepaid construction expenditure (ii)	622,268	572,268

(i) Prepaid equity investments

It mainly represents the prepayment made for the acquisition of interests in Hua An Fund Management Co., Ltd. In April 2014, as approved by the Board of Directors of the Company, GTJA Innovation Investment entered into an agreement with Shanghai Electric Group Corp. ("Shanghai Electric") to purchase a 20% equity interest in Hua An Fund Management Co., Ltd. from Shanghai Electric, at a consideration of RMB600.1 million. As of 31 December 2014, GTJA Innovation Investment made a prepayment of RMB420.1 million.

On 29 September 2015, GTJA Innovation Investment and Shanghai Electric entered into a supplementary agreement to extend the agreement to 30 June 2016 with an additional payment.

As at 31 December 2015, GTJA Innovation Investment has paid according to the agreements, an amount of RMB640.7 million. As at 31 December 2015, this transaction was subject to the CSRC's approval.

As at 30 July 2016 and 12 January 2017, GTJA Innovation Investment and Shanghai Electric entered into the second and third supplementary agreements to further extend the agreement to 30 September 2017 with an additional payment of RMB20.1 million.

In addition, as at 31 December 2014, the prepayment for equity investments included capital of RMB65 million paid by the Company to set up E-Capital Transfer Co., Ltd., in which the Company holds 5.31% interests. On 8 January 2015, E-Capital Transfer Co., Ltd. completed its business registration with the Shanghai Industry and Commerce Administration Bureau. It was recognized as available-for-sale financial asset in 2015.

(ii) Prepaid construction expenditure

On 16 October 2013, the Company entered into an agreement with Shanghai Bund & Riverside Comprehensive Development Co., Ltd. ("Bund & Riverside Development"). According to this agreement, the Company agreed to purchase one of the 6 properties to be developed by Bund & Riverside Development, on a land lot located at Huangpu District, Shanghai, provided that Bund & Riverside Development acquired this land use right at auction. Bund & Riverside Development obtained the land use right on 12 December 2013. The consideration includes land cost, construction cost, allocated expenses, and etc. As of 31 December 2014 and 2015, the prepayment for this project amounted to RMB572.3 million.

(3) Analysis of the movements of provision for impairment losses:

The Group

	As at 31 December	
	2014	**2015**
At the beginning of the year	473,605	478,596
Charge for the year	3,307	83,699
Acquisition of subsidiaries	1,684	—
Reversal of impairment	—	(55)
Amounts written off	—	(1,884)
At the end of the year	478,596	560,356

The Company

	As at 31 December	
	2014	**2015**
At the beginning of the year	469,737	469,763
Charge for the year	26	4,377
Reversal of impairment	—	(26)
At the end of the year	469,763	474,114

34. ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

The Group

	As at 31 December	
	2014	2015
Accounts receivable from:		
— Brokers and dealers	596,526	1,465,124
— Fee and commission	438,527	574,519
— Cash and custodian clients	89,157	75,117
— Fund management fee	14,624	61,379
— Settlement	56,293	11,833
Less: Impairment losses	(6,792)	(11,464)
Total	1,188,335	2,176,508

The Company

	As at 31 December	
	2014	2015
Accounts receivable from:		
— Fee and commission	241,837	480,916
Less: Impairment losses	—	—
Total	241,837	480,916

(b) Analyzed by aging:

The Group

	As at 31 December	
	2014	2015
Within 1 year	1,188,335	2,176,508
Total	1,188,335	2,176,508

The Company

	As at 31 December	
	2014	2015
Within 1 year	241,837	480,916
Total	241,837	480,916

(c) Analysis of the movement of provision for impairment losses:

The Group

	As at 31 December	
	2014	2015
At the beginning of the year	6,792	6,792
Charge for the year	—	4,672
At the end of the year	6,792	11,464

There was no provision for impairment losses as at 31 December 2014 and 2015 for the Company.

35. OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at 31 December	
	2014	2015
Interest receivable	1,744,820	2,576,112
Debt instruments classified as receivables	3,179,839	2,184,024
Investment prepayment	—	550,589
Short-term loans	949,008	346,483
Prepayment for expenses	33,169	194,306
Deposit	52,369	68,017
Prepayments	—	54,202
Dividends receivable	7,353	16,794
Others	47,211	274,859
Less: Impairment losses	—	—
Total	6,013,769	6,265,386

The Company

	As at 31 December	
	2014	2015
Interest receivable	1,193,196	2,064,712
Debt instruments classified as receivables	3,179,839	2,874,024
Payment made on behalf of subsidiaries	485,572	583,645
Deposits	31,774	50,480
Prepayment for expenses	18,231	46,449
Dividends receivable	7,353	13,563
Others	87,148	136,342
Less: Impairment losses	—	—
Total	5,003,113	5,769,215

36. MARGIN ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

The Group

	As at 31 December	
	2014	2015
Individuals	67,344,014	71,099,284
Institutions	8,961,848	11,453,206
Less: Impairment losses	(274,410)	(281,016)
Total	76,031,452	82,271,474

The Company

	As at 31 December	
	2014	2015
Individuals	56,436,440	60,158,629
Institutions	6,783,974	4,999,459
Less: Impairment losses	(274,410)	(276,967)
Total	62,946,004	64,881,121

(b) Analysis of the movement of provision for impairment losses:

The Group

	As at 31 December	
	2014	2015
At the beginning of the year	26,629	274,410
Charge for the year	247,781	6,606
At the end of the year	274,410	281,016

The Company

	As at 31 December	
	2014	2015
At the beginning of the year	26,629	274,410
Charge for the year	247,781	2,557
At the end of the year	274,410	276,967

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

The Group

	As at 31 December	
	2014	2015
Fair value of collateral:		
— Equity securities	214,992,752	224,692,273
— Cash	9,211,256	14,341,037
Total	224,204,008	239,033,310

The Company

	As at 31 December	
	2014	2015
Fair value of collateral:		
— Equity securities	160,483,833	200,904,687
— Cash	8,595,139	12,883,930
Total	169,078,972	213,788,617

37. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	As at 31 December 2014		
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	803,627	—	(666)
— Interest rate swap	26,817,500	6,072	(130,055)
Currency derivatives			
— Currency swaps	196,823	1,393	(1,393)
Equity derivatives			
— Stock index futures	5,041,523	—	(254,549)
— Equity return swaps	152,986	—	(16,255)
Others			
— Forward	1,515,175	—	(48,298)
Less: Cash (received)/paid as settlement		(6,072)	255,215
Total		1,393	(196,001)

	As at 31 December 2015		
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	3,156,743	638	(753)
— Interest rate swap	42,238,636	95,755	(172,285)
Currency derivatives			
— Currency swaps	1,632,339	22,415	(20,028)
Equity derivatives			
— Stock index futures	2,853,807	34,424	(110,721)
— Stock options	1,092,921	64,054	(9,469)
— Equity return swaps	30,481	221	(1,552)
Others			
— Gold futures	129,217	920	—
— Au (T+D)	172,286	519	(185)
— Commodity futures	125,871	336	(176)
Less: Cash (received)/paid as settlement		(36,837)	182,069
Total		182,445	(133,100)

The Company

	As at 31 December 2014		
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	803,627	—	(666)
— Interest rate swap	26,817,500	6,072	(130,055)
Equity derivatives			
— Stock index futures	5,041,523	—	(254,549)
— Equity return swaps	152,986	—	(16,255)
Others			
— Forward	1,515,175	—	(48,298)
Less: Cash (received)/paid as settlement		(6,072)	255,215
Total		—	(194,608)

	As at 31 December 2015		
		Fair value	
	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	3,156,743	638	(753)
— Interest rate swap	42,238,636	95,755	(172,285)
Currency derivatives			
— Currency swaps	649	—	—
Equity derivatives			
— Stock index futures	2,825,960	34,391	(109,520)
— Stock options	1,088,620	63,915	(9,463)
— Equity return swaps	7,252	108	(1,552)
Others			
— Gold futures	129,217	920	—
— Au (T+D)	172,286	519	(185)
— Commodity futures	114,405	318	(176)
Less: Cash (received)/paid as settlement		(36,786)	180,869
Total		159,778	(113,065)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group and the Company's position in interest rate swap contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, gold futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

38. CLEARING SETTLEMENT FUNDS

The Group

	As at 31 December	
	2014	2015
Deposits with		
— China Securities Depository and Clearing Corporation Limited	1,561,941	1,287,369
— Others	10,465	24,132
Total	1,572,406	1,311,501

The Company

	As at 31 December	
	2014	2015
Deposits with		
— China Securities Depository and Clearing Corporation Limited	1,076,961	408,890
— Others	6,964	23,894
Total	1,083,925	432,784

39. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

40. CASH AND BANK BALANCES

The Group

	As at 31 December	
	2014	2015
Cash on hand	1,045	724
Bank balances	18,598,196	30,058,214
Total	18,599,241	30,058,938

The Company

	As at 31 December	
	2014	2015
Cash on hand	941	631
Bank balances	14,934,778	23,001,113
Total	14,935,719	23,001,744

As at 31 December 2014 and 2015, the Group's bank balances of RMB894 million and RMB509 million, respectively, were restricted.

41. CASH AND CASH EQUIVALENTS

The Group

	As at 31 December	
	2014	2015
Cash on hand	1,045	724
Bank balances	18,598,196	30,058,214
Clearing settlement funds	1,572,406	1,311,501
Financial assets held under resale agreements with original maturity of less than three months	15,064,964	12,621,402
Less: bank deposits with original maturity of more than three months and risk reserve deposits	(2,703,242)	(1,828,513)
Total	32,533,369	42,163,328

42. LOANS AND BORROWINGS

The Group

Current

	As at 31 December	
	2014	2015
Unsecured loans and borrowings (1)	3,867,289	5,317,896
Secured loans and borrowings (2)	236,661	174,105
Total	4,103,950	5,492,001

Non-current

	As at 31 December	
	2014	2015
Unsecured loans and borrowings (3)	780,981	2,687,615
Secured loans and borrowings (4)	—	1,890,000
Total	780,981	4,577,615

The Company

Current

	As at 31 December	
	2014	**2015**
Secured loans and borrowings (2)	—	105,000
Total	—	105,000

Non-current

	As at 31 December	
	2014	**2015**
Secured loans and borrowings (4)	—	1,890,000
Total	—	1,890,000

(1) As at 31 December 2014 and 2015, the current unsecured loans and borrowings of the Group were repayable within one year, bearing interest rates ranging from 1.21% to 5.70%, and from 1.59% to 6.00%, respectively.

(2) As at 31 December 2014 and 2015, the current secured loans and borrowings of the Group were repayable within one year and mainly secured by an unlisted fund investment and shares of Shanghai Securities, bearing interest rates ranging from 1.15% to 1.49% and from 1.74% to 4.95%, respectively.

As at 31 December 2015, the current secured loans and borrowings of the Company were repayable within one year and secured by shares of Shanghai Securities, bearing an interest rate of 4.95%.

(3) As at 31 December 2014 and 2015, the non-current unsecured loans and borrowings of the Group were repayable within a period of more than two years but not exceeding five years, bearing interest rates ranging from 2.11% to 2.14% and from 2.12% to 4.80%, respectively.

(4) As at 31 December 2015, the non-current secured loans and borrowings of the Group and the Company, which secured by shares of Shanghai Securities, bear an interest rate of 4.95%. A total amount of RMB210,000 thousand were repayable within a period of more than one year but not exceeding two years and a total amount of RMB1,680,000 thousand were repayable within a period of more than two years but not exceeding five years.

43. SHORT-TERM DEBT INSTRUMENTS

The Group

	Nominal interest rate	Balance as at 1 January 2014	Increase	Decrease	Balance as at 31 December 2014
Short-term financing bills payable	4.20%-6.38%	6,000,000	36,140,000	(31,800,000)	10,340,000
Short-term corporate bonds	4.40%-5.90%	—	5,998,600	—	5,998,600
Medium-term notes	0.10%-3.49%	255,294	342,336	(462,636)	134,994
Structured notes	5.50%-6.20%	—	694,840	—	694,840
Total		6,255,294	43,175,776	(32,262,636)	17,168,434

	Nominal interest rate	Balance as at 1 January 2015	Increase	Decrease	Balance as at 31 December 2015
Short-term financing bills payable	3.00%-5.28%	10,340,000	23,308,954	(32,350,000)	1,298,954
Short-term corporate bonds	4.40%-5.90%	5,998,600	—	(5,998,600)	—
Medium-term notes	0.30%-1.20%	134,994	260,566	(134,994)	260,566
Structured notes	0.00%-6.80%	694,840	12,988,230	(12,923,120)	759,950
Total		17,168,434	36,557,750	(51,406,714)	2,319,470

The Company

	Nominal interest rate	Balance as at 1 January 2014	Increase	Decrease	Balance as at 31 December 2014
Short-term financing bills payables	4.20%-6.38%	6,000,000	34,340,000	(30,000,000)	10,340,000
Short-term corporate bonds	4.40%-5.90%	—	5,998,600	—	5,998,600
Structured notes	5.50%-6.20%	—	649,100	—	649,100
Total		6,000,000	40,987,700	(30,000,000)	16,987,700

	Nominal interest rate	Balance as at 1 January 2015	Increase	Decrease	Balance as at 31 December 2015
Short-term financing bills payable	3.00%-5.28%	10,340,000	22,010,000	(32,350,000)	—
Short-term corporate bonds	4.40%-5.90%	5,998,600	—	(5,998,600)	—
Structured notes	0.00%-6.80%	649,100	12,632,420	(12,521,570)	759,950
Total		16,987,700	34,642,420	(50,870,170)	759,950

44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

The Group

	As at 31 December	
	2014	2015
Placements from banks (1)	1,700,000	7,650,000
Placements from CSFC (2)	9,293,000	762,000
Total	10,993,000	8,412,000

The Company

	As at 31 December	
	2014	2015
Placements from banks (1)	1,700,000	7,650,000
Placements from CSFC (2)	8,041,000	—
Total	9,741,000	7,650,000

(1) As at 31 December 2014 and 2015, placements from banks were repayable within one year, bearing annual interest rates ranging from 4.80% to 6.10% and from 2.01% to 2.85%, respectively, per annum.

(2) As at 31 December 2014 and 2015, placements from CSFC were repayable within one year, bearing annual interest rates ranging from 5.80% to 6.60% and at 6.30%, respectively.

45. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

The Group

	As at 31 December	
	2014	2015
Margin financing and securities lending deposits	9,484,034	19,336,413
Other brokerage business deposits	90,702,560	128,453,334
Total	100,186,594	147,789,747

The Company

	As at 31 December	
	2014	2015
Margin financing and securities lending deposits	8,595,148	12,883,937
Other brokerage business deposits	60,899,483	92,088,243
Total	69,494,631	104,972,180

Accounts payable to brokerage customers mainly include money held on behalf of customers in banks and clearing houses, and are interest-bearing at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage customers represent monies received from customers 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

The Group

Current

	As at 31 December	
	2014	2015
Salaries, bonuses and allowances	3,237,914	6,423,948
Contributions to a defined contribution plan	13,554	12,357
Social welfare and others	216,511	343,214
Total	3,467,979	6,779,519

Non-current

	As at 31 December	
	2014	2015
Salaries, bonuses and allowances	—	614,539
Total	—	614,539

The Company

Current

	As at 31 December	
	2014	2015
Salaries, bonuses and allowances	2,338,077	4,750,030
Contributions to a defined contribution plan	8,435	7,803
Social welfare and others	202,765	313,837
Total	2,549,277	5,071,670

Non-current

	As at 31 December	
	2014	2015
Salaries, bonuses and allowances	—	600,000
Total	—	600,000

47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

The Group

Current

	As at 31 December	
	2014	2015
Bonds	32,569,870	42,731,844
Margin accounts receivable-backed repurchase	26,496,752	17,650,000
Funds	2,041,050	3,575,250
Others	—	4,362,318
Total	61,107,672	68,319,412

Non-current

	As at 31 December	
	2014	2015
Margin accounts receivable-backed repurchase	13,700,000	13,800,000
Total	13,700,000	13,800,000

The Company

Current

	As at 31 December	
	2014	2015
Bonds	30,892,897	42,257,100
Margin accounts receivable-backed repurchase	23,396,753	16,550,000
Funds	2,041,050	3,575,250
Others	—	4,362,318
Total	56,330,700	66,744,668

Non-current

	As at 31 December	
	2014	2015
Margin accounts receivable-backed repurchase	13,700,000	13,800,000
Total	13,700,000	13,800,000

(b) Analyzed by market:

The Group

Current

	As at 31 December	
	2014	2015
Interbank market	18,550,217	24,472,840
Stock exchanges	16,060,703	21,498,709
Over the counter	26,496,752	22,347,863
Total	61,107,672	68,319,412

Non-current

	As at 31 December	
	2014	2015
Over the counter	13,700,000	13,800,000
Total	13,700,000	13,800,000

The Company

Current

	As at 31 December	
	2014	2015
Interbank market	18,550,217	24,472,840
Stock exchanges	14,383,731	21,359,510
Over the counter	23,396,752	20,912,318
Total	56,330,700	66,744,668

Non-current

	As at 31 December	
	2014	2015
Over the counter	13,700,000	13,800,000
Total	13,700,000	13,800,000

48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

Current

	As at 31 December	
	2014	2015
Held for trading		
— Debt securities	3,743,084	4,634,565
— Gold	1,491,658	162,688
Designated as at fair value through profit or loss		
— Debt securities	—	1,616,930
Total	5,234,742	6,414,183

The Company

Current

	As at 31 December	
	2014	2015
Held for trading		
— Debt securities	3,743,084	4,210,985
— Gold	1,491,658	162,688
Total	5,234,742	4,373,673

49. BONDS PAYABLE

The Group

Current

	As at 31 December	
	2014	2015
Corporate bonds (1)	5,000,000	—
Subordinated bonds (1)	—	4,496,500
Structured notes	—	200,000
Total	5,000,000	4,696,500

Non-current

	As at 31 December	
	2014	2015
Corporate bonds (1)	6,031,735	12,276,251
Subordinated bonds (1)	20,481,810	29,451,230
Structured notes	—	11,200,000
Total	26,513,545	52,927,481

(1) The details of the outstanding bonds payable are as follows:

As at 31 December 2014

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate Bonds				
13 GUOJUN 01	5,000,000	2013.7.29	2015.7.29	5.10%
Non-current				
Corporate Bonds				
11 GTJA Bond	3,000,000	2011.1.28	2017.1.28	5.50%
GUOTAI FH B1905(i)	3,059,553	2014.5.23	2019.5.22	3.625%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.7.9	2017.7.9	6.00%
14 GUOJUN 01	1,500,000	2014.2.12	2016.2.12	6.30%
14 GUOJUN 02(ii)	1,500,000	2014.5.16	2018.5.16	6.15%
14 GUOJUN 03(iii)	2,000,000	2014.5.29	2018.5.29	6.10%
14 GUOJUN 04	3,000,000	2014.8.14	2016.8.14	5.80%
14 GUOJUN 05	3,000,000	2014.9.29	2017.9.29	6.10%
14 GUOJUN 06	5,000,000	2014.12.4	2017.12.4	5.40%
14 Shanghai Securities 01(iv)	450,000	2014.9.24	2017.9.24	5.80%
14 Shanghai Securities 02(iv)	1,050,000	2014.9.24	2017.9.24	6.30%

As at 31 December 2015

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Subordinated Bonds				
14 GUOJUN 01	1,500,000	2014.2.12	2016.2.12	6.30%
14 GUOJUN 04	3,000,000	2014.8.14	2016.8.14	5.80%
Non-current				
Corporate Bonds				
11 GTJA Bond	3,000,000	2011.1.28	2017.1.28	5.50%
GUOTAI FH B1905(i)	3,059,553	2014.5.23	2019.5.22	3.625%
MTN 34	50,000	2015.7.27	2017.7.27	4.10%
MTN 35	50,000	2015.7.28	2017.7.28	4.10%
15 GUOJUN G1(v)	5,000,000	2015.11.19	2020.11.19	3.60%
15 GUOJUN G2(vi)	1,000,000	2015.11.19	2022.11.19	3.80%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.7.9	2017.7.9	6.00%
14 GUOJUN 02(ii)	1,500,000	2014.5.16	2018.5.16	6.15%
14 GUOJUN 03(iii)	2,000,000	2014.5.29	2018.5.29	6.10%
14 GUOJUN 05	3,000,000	2014.9.29	2017.9.29	6.10%
14 GUOJUN 06	5,000,000	2014.12.4	2017.12.4	5.40%
15 GUOJUN C1(vii)	10,000,000	2015.4.28	2018.4.28	5.70%
14 Shanghai Securities 01(iv)	450,000	2014.9.24	2017.9.24	4.80%
14 Shanghai Securities 02(iv)	908,000	2014.9.24	2017.9.24	5.30%
15 Shanghai Securities 01(viii)	1,500,000	2015.3.19	2018.3.19	6.00%
15 Shanghai Securities 02(ix)	2,100,000	2015.4.28	2018.4.28	6.00%

The Company

Current

	As at 31 December	
	2014	**2015**
Corporate bonds (1)	5,000,000	—
Subordinated bonds (1)	—	4,496,500
Structured notes	—	200,000
Total	5,000,000	4,696,500

Non-current

	As at 31 December	
	2014	**2015**
Corporate bonds (1)	3,000,000	8,953,731
Subordinated bonds (1)	18,986,750	24,497,375
Structured notes	—	10,900,000
Total	21,986,750	44,351,106

(1) The details of the outstanding bonds payable are as follows:

As at 31 December 2014

Name	**Par value**	**Issue date**	**Maturity date**	**Coupon rate**
Current				
Corporate Bonds				
13 GUOJUN 01	5,000,000	2013.7.29	2015.7.29	5.10%
Non-current				
Corporate Bonds				
11 GTJA Bond	3,000,000	2011.1.28	2017.1.28	5.50%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.7.9	2017.7.9	6.00%
14 GUOJUN 01	1,500,000	2014.2.12	2016.2.12	6.30%
14 GUOJUN 02(ii)	1,500,000	2014.5.16	2018.5.16	6.15%
14 GUOJUN 03(iii)	2,000,000	2014.5.29	2018.5.29	6.10%
14 GUOJUN 04	3,000,000	2014.8.14	2016.8.14	5.80%
14 GUOJUN 05	3,000,000	2014.9.29	2017.9.29	6.10%
14 GUOJUN 06	5,000,000	2014.12.4	2017.12.4	5.40%

As at 31 December 2015

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Subordinated Bonds				
14 GUOJUN 01	1,500,000	2014.2.12	2016.2.12	6.30%
14 GUOJUN 04	3,000,000	2014.8.14	2016.8.14	5.80%
Non-current				
Corporate Bonds				
11 GTJA Bond	3,000,000	2011.1.28	2017.1.28	5.50%
15 GUOJUN G1(v)	5,000,000	2015.11.19	2020.11.19	3.60%
15 GUOJUN G2(vi)	1,000,000	2015.11.19	2022.11.19	3.80%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.7.9	2017.7.9	6.00%
14 GUOJUN 02(ii)	1,500,000	2014.5.16	2018.5.16	6.15%
14 GUOJUN 03(iii)	2,000,000	2014.5.29	2018.5.29	6.10%
14 GUOJUN 05	3,000,000	2014.9.29	2017.9.29	6.10%
14 GUOJUN 06	5,000,000	2014.12.4	2017.12.4	5.40%
15 GUOJUN C1(vii)	10,000,000	2015.4.28	2018.4.28	5.70%

(i) In May 2014, Guotai Junan Financial Holding Limited (BVI Co.) issued a 5-year credit enhancement bond with a par value of USD500 million. The bond is listed on the Hong Kong Stock Exchange with the bond code of 5754 and bears a fixed annual interest rate of 3.625% payable on a semi-annual basis.

(ii) In May 2014, as approved by the CSRC, the Company issued a 4-year subordinated bond with par value of RMB1.5 billion. The bond bears a fixed annual interest rate of 6.15%, payable on an annual basis. The Company has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps. A total amount of RMB1.5 billion has been redeemed at 16 May 2016.

(iii) In May 2014, as approved by the CSRC, the Company issued a 4-year subordinated bond with par value of RMB2 billion. The bond bears a fixed annual interest rate of 6.10% payable on an annual basis. The Company has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate will increase by 300 bps. A total of RMB2 billion has been redeemed at 29 May 2016.

(iv) In September 2014, Shanghai Securities issued a 3-year subordinated bond with par value of RMB1.5 billion. The bond includes two tranches. Tranche one is fully secured by China National Investment & Guaranty Corporation, bearing an annual interest rate of 5.80% payable on an annual basis, tranche two is unsecured subordinated bonds, bearing a fixed annual interest rate of 6.30% payable on annual basis. At the end of the first year, the issuer has an option to adjust the interest rate and the investors have a redemption option. On 24 September 2015, a total amount of RMB142 million of tranche two was redeemed as a result of the exercise of the redemption option by investors. The interest rate of tranche one and tranche two has been decreased by issuer for 100bps to 4.80% and 5.30%, respectively.

(v) In November 2015, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears a fixed annual interest rate of 3.60% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.

(vi) In November 2015, as approved by the CSRC, the Company issued a 7-year corporate bond with par value of RMB1 billion. The bond bears a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the fifth year.

(vii) In April 2015, as approved by the CSRC, the Company issued a 3-year subordinated bond with par value of RMB10 billion. The bond bears an annual interest rate of 5.70% payable on an annual basis. The issuer has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps.

(viii) In March 2015, Shanghai Securities issued a 3-year subordinated bond with par value of RMB1.5 billion. The bond bears a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has a right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year.

(ix) In April 2015, Shanghai Securities issued a 3-year subordinated bond with par value of RMB2.1 billion. The bond bears a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has a right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year.

50. OTHER CURRENT LIABILITIES

The Group

	As at 31 December	
	2014	**2015**
Payables to priority tranche holders of structured entities	13,891,056	10,924,358
Advance received from disposal of a subsidiary (1)	—	3,011,220
Interest payable	1,437,278	2,329,559
Proceeds from underwriting securities received on behalf of customers	17,864	1,612,757
Business tax and other tax payable	831,820	1,103,002
Accounts payable to brokers	383,229	644,724
Dividends payable	23,066	620,708
Payable for asset-backed securities asset management schemes (2)	—	475,000
Underwriting fee payable in relation to A share IPO	—	312,881
Interest received from bonds held as collateral for the reverse repo business	—	264,950
Accounts payable arising from derivative brokerage	—	242,961
Payable for a construction project	39,587	128,793
Distribution expense payable	26,646	73,258
Payables for the securities investor protection fund	59,119	72,495
Payable for the Shenzhen Stock Exchange's membership management fee	26,713	60,560
Settlement payables	100,823	54,610
Commission payable to other distributors	17,110	33,411
Payable in connection with the acquisition of a subsidiary (3)	2,499,714	—
Others	520,229	770,367
Total	19,874,254	22,735,614

The Company

	As at 31 December	
	2014	2015
Interest payable	998,630	1,553,120
Business tax and other tax payable	752,061	1,006,972
Dividends payable	22,957	616,902
Payable for asset-backed securities asset management schemes (2)	—	475,000
Underwriting fee payable in relation to A share IPO	—	312,881
Interest received from bonds held as collateral for the reverse repo business	—	264,950
Accounts payable arising from derivative brokerage	—	239,050
Proceeds from underwriting securities received on behalf of customers	—	212,500
Payable for a construction project	—	79,760
Payables for the securities investor protection fund	45,316	60,650
Payable for the Shenzhen Stock Exchange's membership management fee	23,459	52,586
Commission payable to other distributors	17,110	33,411
Payable to customers for clearing	30,939	28,293
Payable in connection with the acquisition of a subsidiary (3)	2,499,714	—
Others	388,338	451,367
Total	4,778,524	5,387,442

(1) The balance represents advance received from the disposal of the Group's interests in Haiji Securities. Please refer to note 25 (a) (2) for details.

(2) The fund amounting to RMB475,000 thousand raised by the securitization vehicle, is recognized as a financial liability.

(3) The balance represents the unpaid consideration for the acquisition of Shanghai Securities. Please refer to note 25 (c) for details.

51. OTHER NON-CURRENT LIABILITIES

The Group

	As at 31 December	
	2014	2015
Payables to priority tranche holders of structured entities	965,030	3,434,226
Risk reserve for the futures brokerage business	70,559	90,948
Total	1,035,589	3,525,174

52. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1 yuan. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December	
	2014	2015
Registered, issued and fully paid ordinary shares of RMB1 yuan each:		
— Domestic shares		
At beginning of the year	6,100,000	6,100,000
Issuance of shares (1)	—	1,525,000
At end of the year	6,100,000	7,625,000

(1) As at 9 June 2015, as approved by the CSRC, the Company was listed on the Shanghai Stock Exchange and issued 1,525 million ordinary shares to the public at a price of RMB19.71 per share. The proceeds received from the A share IPO amounted to RMB30,058 million (RMB29,663 million after deducting underwriting and sponsorship fees), which resulted in the increase in the registered capital of RMB1,525 million and share premium of RMB28,138 million, respectively.

53. OTHER EQUITY INSTRUMENTS

On 22 January 2015, the Company issued the first batch of perpetual subordinated bonds amounting to RMB5 billion with an initial interest rate of 6.00%. On 3 April 2015, the Company issued the second batch of perpetual subordinated bonds amounting to RMB5 billion with an initial interest rate of 5.80% (collectively referred to as "Perpetual Subordinated Bonds").

The Perpetual Subordinated Bonds have no fixed maturity date. The Company has an option to redeem them at their principal amounts plus any accrued interest, on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bond is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The Perpetual Subordinated Bonds issued by the Company are classified as equity instruments and presented under equity in the Group's and the Company's statements of financial position.

As at 31 December 2015, the Company recognized dividends payable to holders of the Perpetual Subordinated Bonds amounting to RMB590 million (note 19).

54. RESERVES AND RETAINED PROFITS

(1) 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.

(2) Investment revaluation reserve

The movements of the investment revaluation reserve of the Group and the Company are set out below:

The Group

	As at 31 December	
	2014	**2015**
At beginning of the year	617,568	2,222,716
Available-for-sale financial assets		
Net changes in fair value during the year	2,654,391	1,329,405
Reclassified to profit or loss on disposal	(581,817)	(3,014,085)
Reclassified to profit or loss on impairment	47,662	524,645
Income tax impact	(515,088)	275,136
At end of the year	2,222,716	1,337,817

The Company

	As at 31 December	
	2014	**2015**
At beginning of the year	612,848	1,926,804
Available-for-sale financial assets		
Net changes in fair value during the year	2,226,219	307,863
Reclassified to profit or loss on disposal	(521,901)	(2,689,502)
Reclassified to profit or loss on impairment	47,623	409,135
Income tax impact	(437,985)	493,126
At end of the year	1,926,804	447,426

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the statutory surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

Pursuant to the resolution of the 4th extraordinary meeting of the 4th term of the board of directors on 28 May 2013, the Company decided to raise the appropriation rate of the discretionary surplus reserve and the general risk reserve by 1%, respectively, during the existence of the security company bond issued in 2013, that is to appropriate 1% of its net profit to discretionary surplus reserve and 11% of its net profit to the general risk reserve.

(5) General reserve

The general reserve includes the general risk reserve and the 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% of its annual net profit to the transaction risk reserve.

Pursuant to the resolution of the 4th extraordinary meeting of the 4th term of the board of directors on 28 May 2013, the Company decided to raise the appropriation rate of the discretionary surplus reserve and the general risk reserve by 1%, respectively, during the existence of the security company bond issued in 2013, that is to appropriate 1% of its net profit to the discretionary surplus reserve and 11% of its net profit to the general risk reserve.

(6) Retained profits

The movements of retained profits are set out below:

The Group

	As at 31 December	
	2014	**2015**
At beginning of the year	17,635,146	22,258,917
Profit for the year	6,757,912	15,700,291
Appropriation to surplus reserve	(585,107)	(1,508,419)
Appropriation to general reserve	(1,244,034)	(3,160,291)
Dividends	(305,000)	(762,500)
Distribution to other equity instrument holders	—	(590,000)
At end of the year	22,258,917	31,937,998

The Company

	As at 31 December	
	2014	**2015**
At beginning of the year	15,052,515	18,364,540
Profit for the year	5,319,154	13,712,899
Appropriation to surplus reserve	(585,107)	(1,508,419)
Appropriation to general reserve	(1,117,022)	(2,879,709)
Dividends	(305,000)	(762,500)
Distribution to other equity instrument holders	—	(590,000)
At end of the year	18,364,540	26,336,811

55. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize these assets.

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable-backed repurchase whose beneficial rights are transferred to counterparties and repurchased by the Group at maturity date. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for the securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities lent.

(3) asset-backed securities management schemes

Transferred financial assets that do not qualify for derecognition include margin accounts receivable transferred to asset-backed securities management schemes (the "Schemes"). The Group sells margin accounts receivable to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Such securitization 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 securitization vehicle collects 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 derecognized these financial assets in the consolidated statements of financial position. The consideration received from the investors is recognized as a financial liability.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

31 December 2014	Repurchase agreements	Securities lending	Asset-backed Securities
Carrying amount of transferred assets	58,109,003	1,075,633	—
Carrying amount of related liabilities	53,568,094	—	—

31 December 2015	Repurchase agreements	Securities lending	Asset-backed Securities
Carrying amount of transferred assets	51,764,585	71,223	515,964
Carrying amount of related liabilities	47,652,612	—	475,000

56. COMMITMENTS

(1) Capital commitments

In June 2014, the Company commenced its self-used office buildings construction project on No. 49 land lot in Jingan District, Shanghai, after obtaining the relevant permit. The project expects to be completed in 3 years, with a total budget of RMB1.6 billion, of which RMB748 million is the development cost and RMB876 million is the land cost. This budget has been approved in the 5th meeting of the 4th term of the board of directors. As at 31 December 2014 and 2015, the accumulated amounts paid by Shanghai Guoxiang Real Estate Co., Ltd. were RMB954 million and RMB1,042 million, respectively. In August 2016, the adjustment of budget amounting to RMB1.88 billion has been approved in the 2nd meeting of the 5th term of the board of directors.

On 16 October 2013, the Company entered into an agreement with Bund & Riverside Development. According to this agreement, the Company agreed to purchase one of the 6 properties to be developed by Bund & Riverside Development on a land lot located at Huangpu District, Shanghai, provided that Bund & Riverside Development acquired this land use right at auction. Bund & Riverside Development obtained the land use right in December 2013. The consideration includes land cost, construction cost, allocated expenses, and etc. The budget for this project is RMB1.18 billion, which was approved in the 10th meeting of the 4th term of the board of directors. As at 31 December 2014 and 2015, the accumulated amounts paid by the Company was RMB572 million.

(2) Operating lease commitments

	As at 31 December	
	2014	2015
Within 1 year (inclusive)	286,270	449,619
1 to 2 years (inclusive)	175,820	361,215
2 to 3 years (inclusive)	86,668	246,713
After 3 years	79,457	244,257
Total	628,215	1,301,804

57. CONTINGENCIES

As at 31 December 2014 and 2015, the contingent liabilities due to pending litigation amounted to RMB25,764 thousand and RMB32,468 thousand, respectively

58. SHARE-BASED PAYMENTS OF A SUBSIDIARY

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme(the "Share Award Scheme") for the purpose of motivating and rewarding staff who contributed to GJIHL's operations.

(1) Share Option Scheme

The maximum number of unexercised share options currently permitted to be granted under the scheme is an amount equivalent to 10% of the outstanding shares of GJIHL at the date of approval of the Share Option Scheme. The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12-month period is limited to 1% of the outstanding shares of GJIHL. Any further grant of share options in excess of this limit is subject to the approval of shareholders in general meeting of GJIHL.

Share options granted to directors, chief executive, substantial shareholders, or their related parties of GJIHL, are subject to pre-approval of independent non-executive directors of GJIHL. In addition, any share options granted to controlling shareholders, independent non-executive directors, or their related parties, in excess of 0.1% of the outstanding shares or with an aggregate value (based on the price of the GJIHL's shares at grant date) in excess of HKD5 million, within any 12-month period, are subject to pre-approval of general meeting of GJIHL.

The offer of a grant of a share option can be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HKD1 in total by the grantee. The exercise period of the share option granted is determinable by the board of directors, and commences after a vesting period of one to three years and ends on a date which is not later than ten years from the date of offer of the share option.

The exercise price of share options is determined by the board of directors, but should not be less than the highest of (i) the Stock Exchange closing price of GJIHL's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of GJIHL's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of GJIHL's ordinary share.

Share options do not confer rights of obtaining dividends or voting rights of shareholders' meetings.

In January 2014, 50 million share options have been granted to the directors and employees, with the option period from 10 January 2014 to 9 January 2024. Each one-third of the share options are allowed to be exercised on 10 January 2015, 2016 and 2017, respectively. The exercise price of share options is HKD3.82 per share. Among the share options granted, a total of 9.75 million share options were granted to the directors.

As at 29 September 2014, GJIHL issued shares at the right issue price of HKD5.30 each on the basis of one rights share for every five existing shares held on the record date, therefore the exercise price of share options was adjusted to HKD3.79 per share.

As at 11 June 2015, 4.5 million share options have been granted to the directors and employees, with the option period from 11 June 2015 to 10 June 2025. Each one-third of the share options are allowed to be exercised on 11 June 2016, 2017 and 2018, respectively. The exercise price of share options is HKD14.56 per share. Among the share options granted, a total of 3 million share options were granted to the directors.

On 12 June 2015, GJIHL distributed 2 share dividends per 1 ordinary share to all shareholders. The share option price will be adjusted accordingly.

The share option expenses recognized by GJIHL in 2014 and 2015 were RMB25,898 thousand and RMB17,787 thousand, respectively.

The fair value of the equity-settled share options was estimated on the date of grant using a binomial pricing model, taking into account of the terms and conditions upon which the options were granted. The following table lists out the key inputs to the model:

	share options granted in Year ended 31 December	
	2014	**2015**
Share price at the date of grant (expressed in HKD)	3.82	14.22
Exercise price (expressed in HKD)	3.82	14.56
Expected volatility (%)	43.82%	49.87%
Expected dividend yield (%)	4.19%	3.09%
Risk-free interest rate (%)	2.38%	1.71%
Weighted average option price (expressed in HKD)	1.07	4.69

Outstanding share options are as follows:

	Year ended 31 December			
	2014		**2015**	
	Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**
	HKD per share	**'000**	**HKD per share**	**'000**
At 1 January	2.50	35,850	3.31	77,819
Granted	3.82	50,000	14.56	4,500
Adjusted	3.29	635	1.57	92,633
Forfeited	3.82	(1,000)	1.26	(1,011)
Exercised	2.49	(7,666)	2.72	(40,674)
At 31 December	3.31	77,819	1.59	133,267
Remaining contractual period of outstanding share options at end of the year		6.45 years		8.40 years

In 2014, 7,666 thousand share options have been exercised with the price of HKD2.49, which increased GJIHL's issued share capital and capital reserve by HKD767 thousand and HKD18,399 thousand, respectively.

In 2015, 40,674 thousand share options have been exercised with the price of HKD2.72, which increased GJIHL's issued share capital and capital reserve by HKD4,067 thousand and HKD35,955 thousand, respectively.

As at 31 December 2014 and 2015, GJIHL had 77,819 thousand and 133,267 thousand share options outstanding under the Share Option Scheme.

(2) Share Award Scheme

As at 27 October 2011, GJIHL adopted a Share Award Scheme, under which shares of GJIHL may be awarded to those eligible under the terms of the scheme, including employees and directors of GJIHL.

The maximum number of shares currently permitted to be granted under the scheme is an amount equivalent to 10% of the outstanding shares of GJIHL as at the adoption date. The maximum number of shares issuable to each eligible participant in the scheme within any 12-month period is limited to 1% of the outstanding shares of GJIHL at the adoption date. When a selected employee has satisfied all vesting conditions and become entitled to the award, the trustee shall transfer the relevant shares to that employee for free. However, the selected employee is not entitled to any benefit from unvested awarded shares.

In 2014, GJIHL purchased 9,171 thousand ordinary shares from the open market at a consideration of HKD39,691 thousand (RMB31,449 thousand) for the Share Award Scheme. Meanwhile, GJIHL exercised rights issue to subscribe for 5,128 thousand ordinary shares at a consideration of HKD27,177 thousand (RMB21,452 thousand). As at 31 December 2014, GJIHL granted 9,406 thousand shares to employees and recognized an expense of RMB24,604 thousand. In 2014, 8,271 thousand shares were either transferred to the grantees or sold in accordance with their instructions at no cost, and 238 thousand awarded shares were forfeited due to employees' leaving.

In 2015, GJIHL purchased 10,410 thousand ordinary shares from the open market at a consideration of HKD119,897 thousand (RMB96,366 thousand) for the Share Award Scheme. As at 31 December 2015, GJIHL granted 34,653 thousand shares to employees and recognized an expense of RMB65,492 thousand. In 2015, 20,166 thousand shares were either transferred to the grantees or sold in accordance with their instructions at no cost, and 291 thousand awarded shares were forfeited due to employees' leaving.

59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Major shareholders include shareholders with shareholding of 5% or above of the Company.

Share percentage in the Company:

	As at 31 December	
	2014	2015
Shanghai State-owned Assets Operation Co., Ltd.	32.99%	25.63%
Shanghai International Group Co., Ltd	11.82%	9.16%
Shenzhen Investment Holding Co., Ltd.	10.56%	8.18%

(2) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in note 25.

(3) Associates and joint ventures of the Company

The detailed information of the Company's associates and joint ventures is set out in note 27.

(b) Related party transactions and balances

The Group enters into transactions with related parties in the ordinary cause of business under normal commercial terms.

(1) Transactions between the Group and major shareholders:

(i) Balances at the end of the year

	As at 31 December	
	2014	2015
Loans and borrowings		
— Shanghai International Group Co., Ltd	1,000,000	1,000,000

(ii) Transactions during the year

	Year ended 31 December	
	2014	2015
Fee and commission income		
— Shanghai International Group Co., Ltd	—	478
Interest expenses		
— Shanghai International Group Co., Ltd	54,517	119,461

(iii) Acquisition of Shanghai Securities from Shanghai International Group Co., Ltd

The Company entered into an equity transfer agreement with Shanghai International Group Co., Ltd in May 2014, to acquire a 51% interest in Shanghai Securities at a consideration of RMB3,571 million. The Company paid a consideration of RMB1,071 million in 2014, and the remaining RMB2,500 million was paid in 2015.

The above related party transactions in (i), (ii) and (iii) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(2) Transactions between the Group with associates, joint ventures and other related parties:

(i) Balances at the end of the year

	As at 31 December	
	2014	**2015**
Assets		
Cash and bank balances	5,160,212	7,039,491
Accounts receivable	14,010	23,485
Liabilities		
Other current liabilities	8	816
Loans and borrowings	2,500,000	—
Bonds payable	500,000	1,000,000

(ii) Transactions during the year

	Year ended 31 December	
	2014	**2015**
Fee and commission income	90,346	157,091
Interest income	132,711	244,660
Fee and commission expenses	1,849	3,575
Interest expenses	24,827	64,604
Other operating expenses and costs	1,844	810

(c) Transactions between the Company and subsidiaries

(1) Balances at the end of the year

	As at 31 December	
	2014	**2015**
Assets		
Accounts receivable	601,019	863,697

(2) Transactions during the year

	Year ended 31 December	
	2014	2015
Fee and commission income	226,947	527,944
Fee and commission expenses	9,515	388
Other income and gains	10,200	25,500

(d) Remuneration of key management personnel

Remuneration of key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 17, is as follows:

	Year ended 31 December	
	2014	2015
Salaries, allowances and benefits	22,789	9,120
Pension scheme contributions and other social welfare	2,978	2,656
Discretionary bonus	15,307	26,613
Total	41,074	38,389

Further details of directors' and the chief executives' emoluments are included in note 17.

60. SEGMENT REPORTING

The Group is organized into business units based on their products and services and has six reportable operating segments as follows:

(1) Institutional Finance — Institutional investor services, which primarily includes prime brokerage, stock-pledged financing and research businesses provided to institutional clients, as well as market-making and proprietary activities;

(2) Institutional Finance — Investment banking, which primarily includes equity underwriting and sponsorship, debt underwriting and financial advisory services;

(3) Personal finance, which primarily includes retail brokerage, margin financing and securities lending provided to retail clients;

(4) Investment management, which primarily includes asset management, fund management, private equity investment management services to clients, as well as the Group's private equity and alternative investments;

(5) International business, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, margin financing, trading and investment, and advisory businesses; and

(6) Other, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purposes.

(a) Operating segments

	Year ended 31 December 2014						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	403,567	1,486,389	7,249,221	1,100,014	692,934	2,077	10,934,202
Interest income	1,459,100	2,220	4,764,431	32,267	604,467	11	6,862,496
Net investment gains	5,890,524	—	—	287,790	100,553	—	6,278,867
Other income and gains/(losses)	5,723	—	9,425	30,228	(13,347)	295,514	327,543
Total revenue and other income	7,758,914	1,488,609	12,023,077	1,450,299	1,384,607	297,602	24,403,108
Segment expenses	(3,862,163)	(936,006)	(7,782,851)	(817,301)	(668,514)	(860,070)	(14,926,905)
Including: Interest expenses	(1,952,084)	—	(2,542,025)	(96,358)	(170,119)	—	(4,760,586)
Provision for Impairment losses	(152,610)	—	(248,836)	(5,000)	(2,252)	—	(408,698)
Segment operating profit/(loss)	3,896,751	552,603	4,240,226	632,998	716,093	(562,468)	9,476,203
Share of profit of associates and joint ventures	—	—	—	398	—	—	398
Segment profit/(loss) before income tax	3,896,751	552,603	4,240,226	633,396	716,093	(562,468)	9,476,601
Income tax expense	(947,811)	(134,410)	(1,031,355)	(154,062)	(174,176)	136,809	(2,305,005)
Segment profit/(loss) for the year	2,948,940	418,193	3,208,871	479,334	541,917	(425,659)	7,171,596
As at 31 December 2014							
Segment total assets	104,293,572	659,296	186,958,810	5,332,643	20,274,467	1,783,666	319,302,454
Segment total liabilities	91,283,860	560,160	161,941,533	1,508,604	15,177,702	1,531,929	272,003,788
Year ended 31 December 2014							
Other segment information:							
Depreciation and amortization expenses	84,014	1,424	184,797	7,385	18,747	5,346	301,713
Capital expenditure	372,394	2,506	697,591	6,612	13,302	136,674	1,229,079

	Year ended 31 December 2015						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	1,089,088	2,997,099	19,985,044	2,159,079	895,098	2,233	27,127,641
Interest income	3,341,874	5,001	11,128,924	28,314	929,669	46	15,433,828
Net investment gains	8,610,276	—	—	394,413	242,407	—	9,247,096
Other income and gains/(losses)	18,267	—	8,477	28,991	(63,392)	307,851	300,194
Total revenue and other income	13,059,505	3,002,100	31,122,445	2,610,797	2,003,782	310,130	52,108,759
Segment expenses	(6,524,201)	(1,433,924)	(18,602,412)	(1,288,473)	(1,166,117)	(1,059,787)	(30,074,914)
Including: Interest expenses	(3,483,647)	—	(6,321,762)	(105,560)	(364,299)	—	(10,275,268)
Provision for Impairment losses	(604,556)	—	(10,957)	(36,040)	(118,314)	—	(769,867)
Segment operating profit/(loss)	6,535,304	1,568,176	12,520,033	1,322,324	837,665	(749,657)	22,033,845
Share of profit of associates and joint ventures	—	—	—	17,272	—	—	17,272
Segment profit/(loss) before income tax	6,535,304	1,568,176	12,520,033	1,339,596	837,665	(749,657)	22,051,117
Income tax expense	(1,587,453)	(380,916)	(3,041,168)	(325,393)	(203,472)	182,094	(5,356,308)
Segment profit/(loss) for the year	4,947,851	1,187,260	9,478,865	1,014,203	634,193	(567,563)	16,694,809
As at 31 December 2015							
Segment total assets	147,773,707	1,063,710	258,528,000	8,877,812	34,408,825	3,690,333	454,342,387
Segment total liabilities	110,493,354	1,485,598	208,623,297	3,012,726	28,404,333	686,358	352,705,666
Year ended 31 December 2015							
Other segment information:							
Depreciation and amortization expenses	105,159	2,569	234,229	9,041	24,029	7,498	382,525
Capital expenditure	136,512	689	354,262	34,121	48,395	21,904	595,883

(b) Geographical segments

Revenue

	Year ended 31 December	
	2014	2015
Mainland, China	22,681,567	49,752,985
Hong Kong, China	1,408,416	2,067,018
Total	24,089,983	51,820,003

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributes to 10 percent or more of the Group's revenue for the years ended 31 December 2014 and 2015.

61. FINANCIAL RISK MANAGEMENT

(1) Policies for and structure of risk management

Policies for risk management

The Group faces various financial risks in the normal course of business, mainly including credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify and evaluate these risks, and continually monitors these risks by setting appropriate risk limits and internal control systems and through reliable management and information systems. The Group's risk management policies include two aspects: the objective of risk management and the principles of risk management.

Objective for risk management

The overall objective of the Group's risk management is to establish a management mechanism that enables scientific decision-making, standardized operation, efficient management and sustainable development; that can maintain the Company's financial stability and improve its market position and performance. Specifically, it includes:

- ensuring strict compliance with relevant laws, regulations and the Group's policies;
- establishing and improving corporate governance that meets current requirements, and building scientific and proper processes of decision-making, execution, supervision and feedback;

- establishing a set of robust and effective risk management policies to identify errors and fraud, close loopholes, and ensure a healthy conduct of business activities;

- setting up a proper and effective risk measurement and analysis system, which can effectively identify, measure, analyze and evaluate various risks that may arise from the normal course of business, to ensure the safety and integrity of the Group's assets;

- improving management efficiency and effectiveness, striving to keep assets secured and risks well managed based on effective control of risk.

Principles for risk management

The principles for risk management include: compliance, completeness, independence, segregation of duties, prudence, effectiveness, timeliness, Chinese wall and a combination of qualitative and quantitative analyses.

Structure of risk management

The Group's risk management structure includes corporate governance structure and risk management organizational structure.

Corporate governance structure

According to the "Company Law", "Securities Law" and "Code of Corporate Governance for Securities Companies" and other laws and regulations, the Group has established a modern corporate governance structure that features management comprising of Shareholders' Meetings, the Board of Directors, the Board of Supervisors and the senior management. The Group manages risks by explicitly stipulating management's authorization, responsibility and business objectives, and regulating their behavior.

Organizational structure of risk management

The Group has established a four-level risk management system, which consists of the Board of Directors as the core, top management level, dedicated risk supervision departments, and relevant functional and business departments. The dedicated risk supervision departments are comprise the Risk Management Department, the Internal Audit Department, the Compliance Department, the Legal Department and the Verifying Issuance of Securities Department.

(2) Credit risk

The Group's cash and bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks with adequate capital. Cash held on behalf of brokerage clients and clearing settlement funds are mainly deposited with China Securities Depository and Clearing Corporation Limited. The credit risk on cash and cash equivalents is relatively low.

The Group primarily faces three types of credit risks: firstly, the risk of loss arising from the Group's obligation to settle on behalf of its customers in securities trading or derivative trading on the customers' accounts which become under-margined on the settlement date due to the Group's failure to require full margin deposits before the transactions or because the customers are unable to cover their transactions due to other reasons; secondly, the credit risk associated with its securities financial activities, which is risk of losses due to defaults of its margin financing and securities lending clients, securities repurchase clients and stock-pledged financing clients; thirdly, the default risk of investments in credit products, namely the risk of asset impairment and changes in investment returns due to defaults of borrowers or issuers who refuse to repay the principal and interest when due.

In order to manage the credit risk arising from the brokerage business, securities brokerage and future transactions in Mainland China are all settled on a full-pledged basis, which enables the Group's credit risk associated with the brokerage business to be well under control.

Credit risk arises from the securities financing business, securities repurchase and stock-pledged financing primarily due to fraudulent information from clients, failure of customers to repay debts in full on a timely manner, customers' breach of contracts with respect to the size and structure of trading positions, customers' violation of regulatory requirements in their trading actions, involvement of collateral in legal disputes, among others.

The Credit Business Department has dedicated employees who are responsible for the approval of limits of margin deposits, stock-pledged financing business, and the margin financing and securities lending business, which are updated based on periodic assessment of customers' ability to repay. The credit and risk management monitors the status of margin deposits and stock-pledged financing, and makes margin call when necessary. In cases where customers fail to deposit more money as required, collateralized securities will be sold to control the risk. The Company has also put a policy in place which requires a review of individual customer's account balance at least once a year or whenever it considers necessary. A provision for impairment losses might be made based on the review results.

In order to manage default risks associated with investments in credit products, for bond investments, the Group has established credit lines for counterparties and investment restrictions in accordance with their credit ratings. In respect of investments in trust products, the Group sets entrance criteria and investment caps, and manages its credit risk by means of risk assessment, risk warning, and rights of recourse.

(i) Maximum exposure to credit risk

The table below summarizes the Group and the Company's maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The Group

	As at 31 December	
	2014	2015
Available-for-sale financial assets	7,139,099	4,812,610
Financial assets held under resale agreements	32,250,188	39,531,730
Financial assets at fair value through profit or loss	38,964,486	56,998,531
Refundable deposits	6,649,738	6,515,747
Other non-current assets	320,000	200,000
Accounts receivable	1,188,335	2,176,508
Other receivables and prepayments	5,952,040	5,997,722
Margin accounts receivable	76,031,452	82,271,474
Derivative financial assets	1,393	118,170
Clearing settlement funds	1,572,406	1,311,501
Cash held on behalf of brokerage customers	95,643,941	146,294,807
Bank balances	18,598,196	30,058,214
Total maximum credit risk exposure	284,311,274	376,287,014

The Company

	As at 31 December	
	2014	2015
Available-for-sale financial assets	3,402,194	3,232,802
Financial assets held under resale agreements	23,054,158	28,245,480
Financial assets at fair value through profit or loss	29,067,741	49,312,063
Refundable deposits	1,047,105	1,298,598
Other non-current assets	320,000	200,000
Accounts receivable	241,837	480,916
Other receivables and prepayments	4,984,830	5,722,714
Margin accounts receivable	62,946,004	64,881,121
Derivative financial assets	—	95,755
Clearing settlement funds	1,083,925	432,784
Cash held on behalf of brokerage customers	69,859,120	107,509,594
Bank balances	14,934,778	23,001,113
Total maximum credit risk exposure	210,941,692	284,412,940

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities for share of capital or fund.

The Treasury Management Department is responsible for managing the liquidity of its funds, including management of various debt financing instruments and optimizing assets and liabilities structure; centralized management and allocation of the Company's fund; usage of the Company's surplus of funds during normal course of business. The Risk Management Department is responsible for setting up liquidity risk management policies and risk preference, determination of risk indicators and their thresholds, periodic assessment of the status of liquidity risk, and performing liquidity risk stress tests regularly and reporting on them.

The Company has established policies and procedures for managing liquidity risk, which clearly defined the roles and responsibilities of various departments in liquidity risk management, and the methods to identify, evaluate, monitor and control liquidity risk. The Company has adopted the following measures to manage liquidity risk:

Risk monitoring system built around net capital as the core indicator

The Group establishes a risk monitoring system using net capital as the core indicator and includes other indicators such as the assets liability ratio, the debt to net assets ratio, the proprietary equity investment ratio and the net capital ratio, according to 'Administrative Measures for Risk Control Indicators of Securities Companies'. Meanwhile, the Company strictly adheres to the requirements as per 'Guidance for Liquidity Risk Management of Securities Companies' and sets up a framework of the liquidity risk management which features with liquidity coverage ratio and the net stable funding ratio as the core indicators. The Company continually monitors these indicators and maintains sufficient liquidity reserves by an establishing multi-hierarchies of efficient liquid asset management system.

Strictly controlling scale of the proprietary trading business

The Company controls the scale of the proprietary trading business strictly. The proprietary investment to net capital ratio falls within the safety zone determined by the regulators. In addition, the Company also sets limits on the percentage of investments in securities and monitors them on a timely basis.

Implementation of risk budget

With the authorization of the Board of Directors, the Company prepares a risk budget for all businesses twice a year, i.e. at the beginning and in the middle of a year. Liquidity risk management is included as part of the risk budget.

Temporary liquidity replenishment mechanism

The Group has good cooperation with various commercial banks and obtains appropriate credit facility, so as to establish a temporary liquidity replenishment mechanism. The Company and the Shanghai branch of China Construction Bank Corporation ("CCB Shanghai branch") entered into agreements, whereby CCB Shanghai Branch agreed to provide an overdraft facility amounting to RMB5,500 million and RMB6,000 million under certain conditions as at 31 December 2014 and 2015 respectively, in case of any temporary position shortage.

The table below lists the maturity profiles of financial liabilities of the Group based on the remaining undiscounted contractual cash flows:

The Group

31 December 2014	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	With no fixed terms	Total
Financial liabilities									
Loans and borrowings	—	2,393,958	713,063	1,057,000	815,866	—	—	—	4,979,887
Short-term debt instruments	—	3,621,227	7,041,818	6,788,551	—	—	—	—	17,451,596
Placements from other financial institutions	—	3,147,160	5,324,696	2,841,907	—	—	—	—	11,313,763
Accounts payable to brokerage customers	100,186,594	—	—	—	—	—	—	—	100,186,594
Financial assets sold under repurchase agreements	—	30,931,322	4,287,819	29,887,175	14,064,941	—	—	—	79,171,257
Financial liabilities at fair value through profit or loss	—	5,277,597	—	—	—	—	—	—	5,277,597
Derivative financial liabilities	—	19,196	(10,000)	60,798	131,116	—	—	—	201,110
Bonds payable	—	165,000	23,625	8,232,678	27,956,608	—	—	—	36,377,911
Other current liabilities	—	902,685	7,165,037	9,733,656	—	—	—	—	17,801,378
Other non-current liabilities	—	—	—	—	1,624,266	—	—	—	1,624,266
Total financial liabilities	100,186,594	46,458,145	24,546,058	58,601,765	44,592,797	—	—	—	274,385,359

31 December 2015	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	With no fixed terms	Total
Financial liabilities									
Loans and borrowings	—	4,070,063	1,312,727	251,728	4,802,659	—	—	—	10,437,177
Short-term debt instruments	—	338,664	1,709,378	290,450	—	—	—	—	2,338,492
Placements from other financial institutions	—	7,653,281	416,698	393,310	—	—	—	—	8,463,289
Accounts payable to brokerage customers	147,789,747	—	—	—	—	—	—	—	147,789,747
Financial assets sold under repurchase agreements	—	45,645,840	2,151,035	21,506,645	15,001,219	—	—	—	84,304,739
Financial liabilities at fair value through profit or loss	1,616,930	4,580,749	129,263	162,688	—	—	—	—	6,489,630
Derivative financial liabilities	—	20,209	10,021	863	102,655	—	—	—	133,748
Bonds payable	—	165,000	1,614,078	5,962,238	56,896,697	1,076,000	—	—	65,714,013
Other current liabilities	89	3,374,182	2,707,277	9,492,782	—	—	—	—	15,574,330
Other non-current liabilities	—	—	—	—	5,120,727	213,497	—	—	5,334,224
Total financial liabilities	149,406,766	65,847,988	10,050,477	38,060,704	81,923,957	1,289,497	—	—	346,579,389

The Company

31 December 2014	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	With no fixed terms	Total
Financial liabilities									
Short-term debt instruments	—	3,536,750	6,940,383	6,788,551	—	—	—	—	17,265,684
Placements from other financial institutions	—	2,987,260	4,230,680	2,767,846	—	—	—	—	9,985,786
Accounts payable to brokerage customers	69,494,631	—	—	—	—	—	—	—	69,494,631
Financial assets sold under repurchase agreements	—	29,281,493	4,266,910	26,580,071	14,064,941	—	—	—	74,193,415
Financial liabilities at fair value through profit or loss	—	5,277,597	—	—	—	—	—	—	5,277,597
Derivative financial liabilities	—	19,196	(10,000)	59,405	131,116	—	—	—	199,717
Bonds payable	—	165,000	23,625	6,346,152	24,489,224	—	—	—	31,024,001
Other current liabilities	—	46,735	—	2,978,984	—	—	—	—	3,025,719
Total financial liabilities	69,494,631	41,314,031	15,451,598	45,521,009	38,685,281	—	—	—	210,466,550

31 December 2015	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	With no fixed terms	Total
Financial liabilities									
Loans and borrowings	—	—	24,688	151,778	2,100,499	—	—	—	2,276,965
Short-term debt instruments	—	338,664	138,085	290,450	—	—	—	—	767,199
Placements from other financial institutions	—	7,653,281	—	—	—	—	—	—	7,653,281
Accounts payable to brokerage customers	104,972,180	—	—	—	—	—	—	—	104,972,180
Financial assets sold under repurchase agreements	—	45,422,472	2,128,340	20,105,672	15,001,219	—	—	—	82,657,703
Financial liabilities at fair value through profit or loss	—	4,141,737	129,263	162,688	—	—	—	—	4,433,688
Derivative financial liabilities	—	175	10,021	863	102,655	—	—	—	113,714
Bonds payable	—	165,000	1,524,078	5,637,002	47,246,341	1,076,000	—	—	55,648,421
Other current liabilities	—	451,550	360,650	2,042,304	—	—	—	—	2,854,504
Total financial liabilities	104,972,180	58,172,879	4,315,125	28,390,757	64,450,714	1,076,000	—	—	261,377,655

(4) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, exchange rates and securities' market prices.

The Group also engages in stock and bond underwriting business, and may commit to purchase any remaining shares or bonds in standby underwriting agreements. Under these circumstances, the Company faces the risk that the market prices of the left-over portion may fall below the subscription price due to changes in market conditions.

The Group sets the maximum exposure for market risk. The monitoring and measurement of the exposure is determined according to the principal amount and the stop-loss limit. The market risk is controlled to be within a predetermined range set by management.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk relates primarily to cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, margin accounts receivable, derivative financial assets/liabilities, financial assets held under resale agreements, accounts receivable, refundable deposits, other receivables and prepayments, other non-current assets, loans and borrowings, short-term debt instruments, placements from other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, other current liabilities, bonds payable, other non-current liabilities, financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets that are interest bearing.

The tables below summarize the interest rate risk of the Group and the Company. Financial assets and liabilities are presented with reference to the earlier of the contractual repricing or maturity dates, and are stated in their carrying amounts.

The Group

31 December 2014	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Available-for-sale financial assets	—	—	1,218,834	4,052,415	1,867,850	9,616,169	16,755,268
Financial assets held under resale agreements	14,593,528	5,625,907	8,958,227	3,072,526	—	—	32,250,188
Financial assets at fair value through profit or loss	419,891	673,840	9,965,424	18,991,349	8,913,982	17,745,747	56,710,233
Refundable deposits	1,442,393	—	170,193	—	—	5,037,152	6,649,738
Other non-current assets	—	—	—	320,000	—	—	320,000
Accounts receivable	596,526	—	—	—	—	591,809	1,188,335
Other receivables and prepayments	3,071,838	—	1,230,930	—	—	1,649,272	5,952,040
Margin accounts receivable	40,995	55,111,395	20,879,062	—	—	—	76,031,452
Derivative financial assets	—	—	—	—	—	1,393	1,393
Clearing settlement funds	1,572,406	—	—	—	—	—	1,572,406
Cash held on behalf of brokerage customers	87,673,941	2,450,000	5,520,000	—	—	—	95,643,941
Cash and bank balances	16,215,827	1,990,430	391,939	—	—	1,045	18,599,241
Total	125,627,345	65,851,572	48,334,609	26,436,290	10,781,832	34,642,587	311,674,235

31 December 2014	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities							
Loans and borrowings	2,393,967	709,983	1,000,000	780,981	—	—	4,884,931
Short-term debt instruments	3,568,887	6,943,707	6,655,840	—	—	—	17,168,434
Placements from other financial institutions	3,094,000	5,140,000	2,759,000	—	—	—	10,993,000
Accounts payable to brokerage customers	88,679,081	—	—	—	—	11,507,513	100,186,594
Financial assets sold under repurchase agreements	30,878,695	3,639,102	26,589,875	13,700,000	—	—	74,807,672
Financial liabilities at fair value through profit or loss	3,743,084	—	—	—	—	1,491,658	5,234,742
Derivative financial liabilities	—	—	—	—	—	196,001	196,001
Bonds payable	—	—	5,000,000	26,513,545	—	—	31,513,545
Other current liabilities	2,017,844	6,335,330	6,445,110	—	—	4,292,004	19,090,288
Other non-current liabilities	—	—	—	915,030	—	—	915,030
Total	134,375,558	22,768,122	48,449,825	41,909,556	—	17,487,176	264,990,237
Interest rate sensitivity exposure	(8,748,213)	43,083,450	(115,216)	(15,473,266)	10,781,832	17,155,411	46,683,998

31 December 2015	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Available-for-sale financial assets	—	10,065	507,607	3,321,766	973,172	35,108,624	39,921,234
Financial assets held under resale agreements	15,575,346	5,857,788	13,329,348	4,769,248	—	—	39,531,730
Financial assets at fair value through profit or loss	2,107,475	5,509,049	17,123,706	18,543,571	13,714,730	34,013,632	91,012,163
Refundable deposits	2,016,545	—	88,614	—	4,410,588	6,515,747	
Other non-current assets	—	—	—	200,000	—	—	200,000
Accounts receivable	1,465,124	—	—	—	—	711,384	2,176,508
Other receivables and prepayments	350,000	1,024,024	1,616,037	—	—	3,007,661	5,997,722
Margin accounts receivable	29,617,266	15,332,487	37,321,721	—	—	—	82,271,474
Derivative financial assets	15,908	79,847	—	—	—	86,690	182,445
Clearing settlement funds	1,311,501	—	—	—	—	—	1,311,501
Cash held on behalf of brokerage customers	137,904,807	1,850,000	6,540,000	—	—	—	146,294,807
Cash and bank balances	28,228,675	829,539	1,000,000	—	—	724	30,058,938
Total	218,592,647	30,492,799	77,527,033	26,834,585	14,687,902	77,339,303	445,474,269

31 December 2015	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities							
Loans and borrowings	4,064,625	1,226,912	200,464	4,577,615	—	—	10,069,616
Short-term debt instruments	335,470	1,696,380	287,620	—	—	—	2,319,470
Placements from other financial institutions	7,650,000	392,000	370,000	—	—	—	8,412,000
Financial assets sold under repurchase agreements	45,525,107	1,917,487	20,876,818	13,800,000	—	—	82,119,412
Accounts payable to brokerage customers	136,686,042	—	—	—	—	11,103,705	147,789,747
Financial liabilities at fair value through profit or loss	4,505,302	129,263	—	—	—	1,779,618	6,414,183
Derivative financial liabilities	—	—	—	—	—	133,100	133,100
Bonds payable	—	1,500,000	3,196,500	51,927,350	1,000,131	—	57,623,981
Other current liabilities	1,582,414	1,841,375	7,764,305	—	—	8,147,032	19,335,126
Other non-current liabilities	—	—	—	2,709,340	—	—	2,709,340
Total	200,348,960	8,703,417	32,695,707	73,014,305	1,000,131	21,163,455	336,925,975
Interest rate sensitivity exposure	18,243,687	21,789,382	44,831,326	(46,179,720)	13,687,771	56,175,848	108,548,294

The Company

31 December 2014	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Available-for-sale financial assets	—	—	—	1,903,828	1,498,366	7,229,825	10,632,019
Financial assets held under resale agreements	13,629,208	5,147,133	2,255,666	2,022,151	—	—	23,054,158
Financial assets at fair value through profit or loss	359,908	539,613	8,984,437	12,590,592	6,593,191	14,556,207	43,623,948
Refundable deposits	1,030,344	—	—	—	—	16,761	1,047,105
Other non-current assets	—	—	—	320,000	—	—	320,000
Accounts receivable	—	—	—	—	—	241,837	241,837
Other receivables and prepayments	3,071,838	—	281,922	—	—	1,631,070	4,984,830
Margin accounts receivable	—	54,620,913	8,325,091	—	—	—	62,946,004
Clearing settlement funds	1,083,925	—	—	—	—	—	1,083,925
Cash held on behalf of brokerage customers	69,859,120	—	—	—	—	—	69,859,120
Cash and bank balances	14,053,388	639,450	241,940	—	—	941	14,935,719
Total	103,087,731	60,947,109	20,089,056	16,836,571	8,091,557	23,676,641	232,728,665

31 December 2014	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities							
Short-term debt instruments	3,500,000	6,865,100	6,622,600	—	—	—	16,987,700
Financial assets sold under repurchase agreements	29,229,902	3,618,623	23,482,175	13,700,000	—	—	70,030,700
Placements from other financial institutions	2,944,000	4,108,000	2,689,000	—	—	—	9,741,000
Accounts payable to brokerage customers	69,494,631	—	—	—	—	—	69,494,631
Financial liabilities at fair value through profit or loss	3,743,084	—	—	—	—	1,491,658	5,234,742
Derivative financial liabilities	—	—	—	—	—	194,608	194,608
Bonds payable	—	—	5,000,000	21,986,750	—	—	26,986,750
Other current liabilities	—	—	—	—	—	4,024,349	4,024,349
Total	108,911,617	14,591,723	37,793,775	35,686,750	—	5,710,615	202,694,480
Interest rate sensitivity exposure	(5,823,886)	46,355,386	(17,704,719)	(18,850,179)	8,091,557	17,966,026	30,034,185

31 December 2015	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Available-for-sale financial assets	—	—	500,000	1,812,533	920,269	28,074,861	31,307,663
Financial assets held under resale agreements	13,316,869	3,774,504	8,168,387	2,985,720	—	—	28,245,480
Financial assets at fair value through profit or loss	1,843,465	5,458,934	15,377,639	14,173,193	12,458,832	24,797,162	74,109,225
Refundable deposits	1,280,874	—	—	—	—	17,724	1,298,598
Other non-current assets	—	—	—	200,000	—	—	200,000
Accounts receivable	—	—	—	—	—	480,916	480,916
Other receivables and prepayments	350,000	1,714,024	1,269,554	—	—	2,389,136	5,722,714
Margin accounts receivable	28,258,894	14,820,870	21,801,357	—	—	—	64,881,121
Derivative financial assets	15,908	79,847	—	—	—	64,023	159,778
Clearing settlement funds	432,784	—	—	—	—	—	432,784
Cash held on behalf of brokerage customers	107,509,594	—	—	—	—	—	107,509,594
Cash and bank balances	23,001,113	—	—	—	—	631	23,001,744
Total	176,009,501	25,848,179	47,116,937	19,171,446	13,379,101	55,824,453	337,349,617

31 December 2015	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial liabilities							
Loans and borrowings	—	—	105,000	1,890,000	—	—	1,995,000
Short-term debt instruments	335,470	136,860	287,620	—	—	—	759,950
Financial assets sold under repurchase agreements	45,407,633	1,811,729	19,525,306	13,800,000	—	—	80,544,668
Placements from other financial institutions	7,650,000	—	—	—	—	—	7,650,000
Accounts payable to brokerage customers	104,972,180	—	—	—	—	—	104,972,180
Financial liabilities at fair value through profit or loss	4,081,723	129,263	—	—	—	162,687	4,373,673
Derivative financial liabilities	—	—	—	—	—	113,065	113,065
Bonds payable	—	1,500,000	3,196,500	43,350,974	1,000,132	—	49,047,606
Other current liabilities	—	—	475,000	—	—	3,903,356	4,378,356
Total	162,447,006	3,577,852	23,589,426	59,040,974	1,000,132	4,179,108	253,834,498
Interest rate sensitivity exposure	13,562,495	22,270,327	23,527,511	(39,869,528)	12,378,969	51,645,345	83,515,119

Sensitivity analysis

The Group uses the sensitive analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at year end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at fair value through profit or loss and available for sale, due to certain changes in interest rates.

The table below summarizes the results of sensitivity analysis, and shows the impact on net profits and other comprehensive income resulting from a reasonably possible change in the interest rate, based on the assets and liabilities held as at 31 December 2014 and 2015, with all other variables held constant.

The Group

	As at 31 December			
	2014		2015	
	+30 BP	-30 BP	+30 BP	-30 BP
Change in				
— net profit	(137,856)	142,557	(180,078)	185,282
— other comprehensive income	(47,914)	48,688	(29,547)	30,038
Change in equity	(185,770)	191,245	(209,625)	215,320

The Company

	As at 31 December			
	2014		2015	
	+30 BP	-30 BP	+30 BP	-30 BP
Change in				
— net profit	(73,063)	75,066	(158,401)	162,688
— other comprehensive income	(30,313)	30,880	(22,698)	23,117
Change in equity	(103,376)	105,946	(181,099)	185,805

The sensitivity analysis above is calculated on the basis that assets and liabilities have static interest rate term structure, and only considers changes in interest rates within one year, reflecting the impact on profit or loss due to the repricing of assets and liabilities in one year. The assumptions

include: 1) all assets and liabilities with repricing dates or maturity dates within one month, one to three months, and three months to one year will be re-priced or matured in the middle of the period; 2) changes in interest rates result in parallel shifts of the yield curve; 3) there is no change in the portfolio of assets and liabilities.

Due to the above assumptions, the actual changes in net interest income caused by fluctuations in interest rates may differ from the above sensitivity analysis.

(ii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from movements in foreign exchange rates. The Group's currency risk primarily relates to business activities denominated in foreign currencies different from the Group's functional currency, and its net investments in foreign subsidiaries.

Except for the subsidiaries incorporated in Hong Kong which hold assets mainly denominated in HKD, the assets and liabilities denominated in foreign currencies represent only an insignificant portion of the Group's entire assets and liabilities.

	As at 31 December	
	2014	**2015**
Total assets of subsidiaries in HK /total assets of the Group	6.35%	7.61%
Total liabilities of subsidiaries in HK /total liabilities of the Group	5.58%	8.10%

	Year ended 31 December	
	2014	**2015**
Total operating profit of subsidiaries in HK /total operating profit of the Group.	5.77%	3.95%

The Group's currency risk is not material, because the proportion of assets, liabilities and revenue in foreign currencies is relatively low.

(iii) Price risk

Price risk is the risk that the fair value of equity securities declines because of unfavorable changes in stock index level or the price of individual security.

The Group mainly invests in listed equity securities, warrants, funds and stock futures. The Group's maximum exposure to price risk is determined by the fair value of financial instruments it holds.

The above financial instruments are exposed to price risk due to fluctuations in fair values, which can be caused by factors specific to individual financial instruments or their issuers, or factors affecting all financial instruments traded in the market.

The analysis below is to show the impact on net profit and other comprehensive income due to changes in fair values of investments in equity securities, funds, equity derivative financial assets/liabilities, trust products, futures and other equity investments by 5%, based on the carrying amounts at the end of each reporting period, with all other variables held constant. As for available-for-sale equity investments, the impact only takes into account of changes in fair value, without considering the impact on profit or loss due to possible impairment.

Sensitivity analysis

The Group

	As at 31 December			
	2014		2015	
	+5%	-5%	+5%	-5%
Change in				
— net profit	487,009	(487,009)	1,290,258	(1,290,258)
— other comprehensive income	341,216	(341,216)	1,267,695	(1,267,695)
Change in equity	828,225	(828,225)	2,557,953	(2,557,953)

The Company

	As at 31 December			
	2014		2015	
	+5%	-5%	+5%	-5%
Change in				
— net profit	357,940	(357,940)	931,404	(931,404)
— other comprehensive income	203,287	(203,287)	1,039,302	(1,039,302)
Change in equity	561,227	(561,227)	1,970,706	(1,970,706)

(5) Capital management

The Group's and the Company's objectives for capital management are:

- to safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

- to support the Group's and the Company's stability and growth;
- to maintain a strong capital base to support the development of their business; and
- to comply with the capital requirements under the PRC and Hong Kong regulations.

The Group manages and adjusts its capital structure in accordance with changes in economic situation and risk characteristics of relevant assets. In order to maintain or adjust its capital structure, the Company may adjust profit distribution to shareholders, return capital, issue new shares or subordinated debts.

The Group adopts the indicator of net capital to manage its capital. Net capital is a comprehensive risk control indicator which is calculated as net assets minus risk adjustments on certain assets, liabilities and business, determined in accordance with securities companies' business scope and liquidity of their assets and liabilities.

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) 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 2014 and 2015, the Company had maintained the ratios mentioned above as follows:

	As at 31 December	
	2014	**2015**
Net capital	28,821,981	77,336,441
Ratio 1	747.36%	1,295.18%
Ratio 2	77.92%	88.35%
Ratio 3	20.85%	48.62%
Ratio 4	26.75%	55.03%
Ratio 5	65.01%	54.14%
Ratio 6	137.01%	86.04%

The above ratios are calculated based on the underlying Financial Information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in Mainland China.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Company mainly comprises its total equity.

62. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

The Group

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Held for trading				
— Equity securities	5,951,651	—	—	5,951,651
— Funds	10,595,324	—	—	10,595,324
— Debt securities	9,983,549	28,449,445	68,494	38,501,488
— Other investments	—	98,478	—	98,478
Designated as at fair value through profit or loss				
— Debt securities	—	462,998	—	462,998
— Equity securities	—	40,000	164,463	204,463
— Funds	—	895,831	—	895,831
Available-for-sale financial assets				
— Equity securities	6,544,929	354,934	—	6,899,863
— Funds	333,354	—	—	333,354
— Debt securities	3,025,396	4,113,703	—	7,139,099
— Other investments	165,452	966,205	734,226	1,865,883
Derivative financial assets	—	1,393	—	1,393
Total	36,599,655	35,382,987	967,183	72,949,825
Financial liabilities at fair value through profit or loss				
Held for trading				
— Debt securities	502,335	3,240,749	—	3,743,084
— Gold	1,491,658	—	—	1,491,658
Designated as at fair value through profit or loss				
— Debt securities	—	196,001	—	196,001
Total	1,993,993	3,436,750	—	5,430,743

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Held for trading				
— Equity securities	5,751,930	143,741	—	5,895,671
— Funds	24,920,484	5,008	—	24,925,492
— Debt securities	9,961,532	46,561,099	38,035	56,560,666
— Other investments	103,078	205,218	—	308,296
Designated as at fair value through profit or loss				
— Equity securities	—	—	271,929	271,929
— Funds	—	2,612,244	—	2,612,244
— Other investments	—	437,865	—	437,865
Available-for-sale financial assets				
— Equity securities	8,981,202	252,227	1,279,075	10,512,504
— Funds	345,250	35,654	—	380,904
— Debt securities	2,643,585	1,669,025	—	4,312,610
— Other investments	3,686,132	18,955,516	770,146	23,411,794
Derivative financial assets	64,167	118,278	—	182,445
Total	56,457,360	70,995,875	2,359,185	129,812,420
Financial liabilities at fair value through profit or loss				
Held for trading				
— Debt securities	4,080,738	553,827	—	4,634,565
— Gold	162,688	—	—	162,688
Designated as at fair value through profit or loss				
— Debt securities	—	1,616,930	—	1,616,930
Derivative financial liabilities	9,470	123,630	—	133,100
Total	4,252,896	2,294,387	—	6,547,283

The Company

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Held for trading				
— Equity securities	5,141,083	—	—	5,141,083
— Funds	9,316,646	—	—	9,316,646
— Debt securities	6,663,162	22,404,579	—	29,067,741
— Other investments	—	98,478	—	98,478
Available-for-sale financial assets				
— Equity securities	5,320,719	19,505	—	5,340,224
— Funds	227,258	—	—	227,258
— Debt securities	854,028	2,548,166	—	3,402,194
— Other investments	106,491	766,605	543,810	1,416,906
Total	27,629,387	25,837,333	543,810	54,010,530
Financial liabilities at fair value through profit or loss				
Held for trading				
— Debt securities	502,335	3,240,749	—	3,743,084
— Gold	1,491,658	—	—	1,491,658
Derivative financial liabilities	—	194,608	—	194,608
Total	1,993,993	3,435,357	—	5,429,350

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Held for trading				
— Equity securities	4,628,139	143,889	—	4,772,028
— Funds	19,716,829	9	—	19,716,838
— Debt securities	6,785,461	42,526,602	—	49,312,063
— Other investments	103,078	205,218	—	308,296
Available-for-sale financial assets				
— Equity securities	6,430,978	251,241	—	6,682,219
— Funds	37,802	14,768	—	52,570
— Debt securities	1,638,670	1,094,132	—	2,732,802
— Other investments	2,318,852	18,659,572	501,517	21,479,941
Derivative financial assets	63,915	95,863	—	159,778
Total	41,723,724	62,991,294	501,517	105,216,535
Financial liabilities at fair value through profit or loss				
Held for trading				
— Debt securities	4,080,738	130,247	—	4,210,985
— Gold	162,688	—	—	162,688
Derivative financial liabilities	9,463	103,602	—	113,065
Total	4,252,889	233,849	—	4,486,738

During the years ended 31 December 2014 and 2015, there were no significant transfers of fair value measurements between level 1 and level 2.

(2) Valuation process and methods for specific investments

As at the end of each the Relevant Periods, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the years ended 31 December 2014 and 2015, the Group held no changes on the valuation techniques for level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio and liquidity discount, etc. Fair value changes resulting from changes in the unobservable inputs were not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

(3) Movements in Level 3 financial instruments measured at fair value:

The Group

	Year ended 31 December	
	2014	**2015**
As at 1 January	238,777	967,183
Transfer in from Level 2	343,311	5,025
Total losses recognized in the statement of profit or loss	(996)	(7,237)
Total gains recognized in other comprehensive income	8,986	629,344
Purchases	381,929	1,210,938
Sales and settlements	(4,824)	(446,068)
As at 31 December	967,183	2,359,185

The Company

	Year ended 31 December	
	2014	**2015**
As at 1 January	—	543,810
Transfer in from Level 2	258,288	5,025
Total gains recognized in other comprehensive income	10,609	29,705
Purchases	274,913	347,720
Sales and settlements	—	(424,743)
As at 31 December	543,810	501,517

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investment with disposal restriction in a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Other equity investment	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Other investment	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value

(5) Financial assets and liabilities not measured at fair value

At 31 December 2014 and 2015, the carrying amounts of the Group's and the Company's financial instruments carried at cost or amortized cost approximate the their fair values, except for bonds payable whose carrying amounts and fair values are summarized below:

The Group

	As at 31 December	
Bonds payable	**2014**	**2015**
Carrying amounts	31,513,545	57,623,981
Fair values		
-Level 2	31,694,830	47,540,208
-Level 3	—	11,532,961
	31,694,830	59,073,169

The Company

	As at 31 December	
Bonds payable	**2014**	**2015**
Carrying amounts	26,986,750	49,047,606
Fair values		
-Level 2	27,140,871	40,664,461
-Level 3	—	9,522,390
	27,140,871	50,186,851

63. EVENTS AFTER THE REPORTING PERIOD

Other than those already disclosed elsewhere in the Financial Information, the event after the reporting period is as follows:

On 19 May 2016, as approved in the annual shareholders' meeting for the year 2015, the Company determined to issue convertible bonds with par value not more than RMB8 billion (including RMB8 billion). On 12 December 2016, as approved in the 5th interim meeting of the 5th term of the board of directors, the issuance of the convertible bonds with par value is adjusted to no more than RMB7 billion(including RMB7 billion). On 21 December 2016, the convertible bonds issuance was reviewed and approved by the CSRC Main Board Issuance Examination Committee and the convertible bonds issuance is still subject to the final approval by the CSRC.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by the Group in respect of any period subsequent to 31 December 2015.

Yours faithfully,

Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

22F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

Independent review report

To the board of directors of Guotai Junan Securities Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages II-3 to II-66 which comprises the condensed consolidated statement of financial position of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at 30 September 2016 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended, and explanatory notes.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Certified Public Accountants
Hong Kong
[Date]

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2016

(All amounts expressed in thousands of RMB unless otherwise stated)

		Nine months ended 30 September	
	Notes	2016	2015
		(Unaudited)	(Unaudited)
Revenue			
Fee and commission income	4	11,577,493	20,850,666
Interest income	5	8,897,533	12,003,189
Net investment gains	6	3,736,958	7,099,167
Total revenue		24,211,984	39,953,022
Other income and gains	7	3,700,334	287,503
Total revenue and other income		27,912,318	40,240,525
Fee and commission expenses	8	(1,650,457)	(3,035,581)
Interest expenses	9	(5,552,007)	(7,820,615)
Staff costs	10	(5,618,462)	(7,998,218)
Depreciation and amortization expenses	11	(312,859)	(274,050)
Business tax and surcharges		(529,275)	(1,750,669)
Other operating expenses and costs	12	(1,769,192)	(1,676,591)
Provision for impairment losses	13	(815,410)	(754,219)
Total expenses		(16,247,662)	(23,309,943)
Operating profit		11,664,656	16,930,582
Share of profits of associates and joint ventures		53,176	9,643
Profit before income tax		11,717,832	16,940,225
Income tax expense	14	(2,684,713)	(4,152,753)
Profit for the period		9,033,119	12,787,472
Attributable to:			
Equity holders of the Company		7,646,549	11,947,067
Non-controlling interests		1,386,570	840,405
Total		9,033,119	12,787,472
Earnings per share attributable to ordinary equity holders of the Company (Expressed in Renminbi Yuan per share)	17		
— Basic		0.94	1.75
— Diluted		0.94	1.75

The accompanying notes form part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2016

(All amounts expressed in thousands of RMB unless otherwise stated)

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Profit for the period	9,033,119	12,787,472
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
— Net changes in fair value	(1,841,044)	143,158
— Reclassified to profit or loss	346,590	(2,046,957)
Share of other comprehensive income of associates and joint ventures	10,042	—
Exchange differences on translation of financial statements in foreign currencies	194,681	215,145
Income tax impact	370,158	465,944
Other comprehensive losses for the period, net of tax	(919,573)	(1,222,710)
Total comprehensive income for the period	8,113,546	11,564,762
Attributable to:		
Equity holders of the Company	6,685,754	10,629,387
Non-controlling interests	1,427,792	935,375
Total	8,113,546	11,564,762

The accompanying notes form part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Non-current assets			
Property and equipment	18	3,494,008	3,420,725
Prepaid land lease payments	19	828,271	842,600
Goodwill	20	581,407	581,407
Other intangible assets	21	1,373,893	1,351,142
Investments in associates	23	638,717	373,657
Investments in joint ventures	23	821,926	555,398
Available-for-sale financial assets	24	38,361,003	39,403,562
Financial assets held under resale agreements	25	17,800,737	4,769,248
Financial assets at fair value through profit or loss	26	157,458	101,732
Refundable deposits	27	9,872,793	6,515,747
Deferred tax assets	28	732,604	218,134
Other non-current assets	29	1,260,087	1,457,391
Total non-current assets		75,922,904	59,590,743
Current assets			
Accounts receivable	30	1,726,480	2,176,508
Other receivables and prepayments	31	5,705,500	6,265,386
Margin accounts receivable	32	64,309,107	82,271,474
Available-for-sale financial assets	24	348,939	517,672
Financial assets held under resale agreements	25	35,356,875	34,762,482
Financial assets at fair value through profit or loss	26	76,604,353	90,910,431
Derivative financial assets	33	157,900	182,445
Clearing settlement funds	34	1,832,782	1,311,501
Cash held on behalf of brokerage customers	35	107,182,416	146,294,807
Cash and bank balances	36	16,880,802	30,058,938
Total current assets		310,105,154	394,751,644
Total assets		386,028,058	454,342,387

The accompanying notes form part of the interim condensed consolidated financial statements.

	Notes	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Current liabilities			
Loans and borrowings	38	7,380,933	5,492,001
Short-term debt instruments	39	7,824,083	2,319,470
Placements from other financial institutions	40	1,200,000	8,412,000
Accounts payable to brokerage customers	41	112,672,298	147,789,747
Employee benefits payable	42	6,236,599	6,779,519
Income tax payable		2,105,194	3,919,003
Financial assets sold under repurchase agreements	43	47,277,475	68,319,412
Financial liabilities at fair value through profit or loss	44	13,684,999	6,414,183
Derivative financial liabilities	33	202,666	133,100
Bonds payable	45	12,156,221	4,696,500
Other current liabilities	46	10,064,631	22,735,614
Total current liabilities		220,805,099	277,010,549
Net current assets		89,300,055	117,741,095
Total assets less current liabilities		165,222,959	177,331,838
Non-current liabilities			
Loans and borrowings	38	100,019	4,577,615
Bonds payable	45	50,444,335	52,927,481
Employee benefits payable	42	631,789	614,539
Deferred tax liabilities	28	208,177	250,308
Financial assets sold under repurchase agreements	43	1,000,000	13,800,000
Financial liabilities at fair value through profit or loss	44	197,028	—
Other non-current liabilities	47	4,327,840	3,525,174
Total non-current liabilities		56,909,188	75,695,117
Net assets		108,313,771	101,636,721
Equity			
Share capital	48	7,625,000	7,625,000
Other equity instruments	49	10,000,000	10,000,000
Reserves	50	44,839,502	45,761,417
Retained profits	50	35,031,013	31,937,998
Equity attributable to equity holders of the Company		97,495,515	95,324,415
Non-controlling interests		10,818,256	6,312,306
Total equity		108,313,771	101,636,721

The accompanying notes form part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the Company (Unaudited)										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2016	7,625,000	10,000,000	29,293,409	1,337,817	(126,221)	4,989,709	10,266,703	31,937,998	95,324,415	6,312,306	101,636,721
Profit for the period	—	—	—	—	—	—	—	7,646,549	7,646,549	1,386,570	9,033,119
Other comprehensive income/(losses) for the period	—	—	—	(1,087,718)	126,923	—	—	—	(960,795)	41,222	(919,573)
Total comprehensive income/(losses) for the period	—	—	—	(1,087,718)	126,923	—	—	7,646,549	6,685,754	1,427,792	8,113,546
Issue of perpetual subordinated bonds by subsidiaries	—	—	—	—	—	—	—	—	—	3,150,020	3,150,020
Capital injection from non-controlling interests.	—	—	—	—	—	—	—	—	—	9,900	9,900
Dividends (note 16)	—	—	—	—	—	—	—	(3,965,000)	(3,965,000)	—	(3,965,000)
Dividends to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(140,825)	(140,825)
Distribution to other equity instrument holders (note 16)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Others	—	—	40,346	—	—	—	(1,466)	1,466	40,346	59,063	99,409
At 30 September 2016	7,625,000	10,000,000	29,333,755	250,099	702	4,989,709	10,265,237	35,031,013	97,495,515	10,818,256	108,313,771

The accompanying notes form part of the interim condensed consolidated financial statements.

	Attributable to equity holders of the Company (Unaudited)										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2015	6,100,000	—	1,219,544	2,222,716	(348,411)	3,481,290	7,106,412	22,258,917	42,040,468	5,258,198	47,298,666
Profit for the period	—	—	—	—	—	—	—	11,947,067	11,947,067	840,405	12,787,472
Other comprehensive income/(losses) for the period	—	—	—	(1,458,790)	141,110	—	—	—	(1,317,680)	94,970	(1,222,710)
Total comprehensive income/(losses) for the period	—	—	—	(1,458,790)	141,110	—	—	11,947,067	10,629,387	935,375	11,564,762
IPO of A shares	1,525,000	—	28,138,274	—	—	—	—	—	29,663,274	—	29,663,274
Issue of perpetual subordinated bonds	—	10,000,000	—	—	—	—	—	—	10,000,000	—	10,000,000
Dividends (note 16)	—	—	—	—	—	—	—	(762,500)	(762,500)	—	(762,500)
Dividends to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(169,546)	(169,546)
Distribution to other equity instrument holders (note 16)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Others	—	—	(96,671)	—	—	—	—	—	(96,671)	105,721	9,050
At 30 September 2015	7,625,000	10,000,000	29,261,147	763,926	(207,301)	3,481,290	7,106,412	32,853,484	90,883,958	6,129,748	97,013,706

The accompanying notes form part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2016

(All amounts expressed in thousands of RMB unless otherwise stated)

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Profit before income tax	11,717,832	16,940,225
Adjustments for:		
Interest expenses	5,552,007	7,820,615
Share of profits of associates and joint ventures	(53,176)	(9,643)
Depreciation and amortization	312,859	274,050
Provision for impairment losses	815,410	754,219
Net losses on disposal of property and equipment	1,348	3,174
Foreign exchange (gains)/losses	(10,328)	9,341
Net realized gains from financial instruments	(392,473)	(2,564,793)
Gain on disposal of a subsidiary	(2,835,339)	—
Dividend income and interest income from available-for-sale financial assets	(481,488)	(413,148)
Interest income from time deposits, loans and receivables	(407,085)	(464,275)
Unrealized fair value changes in financial instruments through profit or loss	206,131	926,609
Unrealized fair value changes in derivatives	54,984	36,283
	14,480,682	23,312,657
Increase in refundable deposits	(3,359,297)	(3,621,635)
Decrease in margin accounts receivable	18,050,126	12,375,308
Increase in accounts receivable, other receivables and prepayments	(84,077)	(2,216,839)
Increase in financial assets held under resale agreements	(19,631,874)	(7,455,853)
Decrease/(increase) in financial instruments at fair value through profit or loss and derivative financial instruments	21,403,828	(29,399,746)
Decrease/(increase) in cash held on behalf of brokerage customers	40,849,112	(66,408,059)
(Decrease)/increase in accounts payable to brokerage customers	(35,117,449)	70,895,448
(Decrease)/increase in other current liabilities	(438,243)	2,491,371
(Decrease)/increase in employee benefits payable	(468,583)	3,032,078
(Decrease)/increase in financial assets sold under repurchase agreements	(33,841,937)	16,023,262
Decrease in placements from other financial institutions	(7,212,000)	(1,092,000)
Cash (used in)/generated from operations	(5,369,712)	17,935,992
Income taxes paid	(4,684,965)	(3,579,780)
Interest paid	(2,569,743)	(4,078,071)
Net cash (used in)/generated from operating activities	(12,624,420)	10,278,141

The accompanying notes form part of the interim condensed consolidated financial statements.

	Note	Nine months ended 30 September 2016 (Unaudited)	Nine months ended 30 September 2015 (Unaudited)
Cash flows from investing activities:			
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets		6,516	4,122
Dividends and interest received from available-for-sale financial assets and other investments		708,906	832,164
Proceeds from disposal of available-for-sale financial assets and other investments		35,131,525	47,617,957
Disposal of a subsidiary, associate and joint venture		(184,355)	5,662
Cash acquired from acquisition of a subsidiary, net of consideration transferred		—	867
Cash paid for acquisition of a subsidiary, net of cash and bank balances acquired		—	(2,499,714)
Purchases of property and equipment, other intangible assets and other non-current assets		(418,903)	(450,678)
Purchases of available-for-sale financial assets and other investments		(37,564,492)	(68,636,254)
Net cash used in investing activities		(2,320,803)	(23,125,874)
Cash flows from financing activities:			
Net proceeds from issuance of A shares		—	29,663,274
Issue of perpetual subordinated bonds by subsidiaries		3,150,020	—
Capital injection from non-controlling interests		9,900	—
Proceeds from issuance of perpetual subordinated bonds		—	10,000,000
Proceeds from issuance of short-term debt instruments		22,763,543	33,422,310
Proceeds from issuance of bonds payable		22,100,773	25,098,875
Proceeds from loans and borrowings		27,068,744	50,340,014
Proceeds from other financing activities		—	332,356
Repayment of debt securities issued		(34,357,245)	(47,811,244)
Repayment of loans and borrowings		(37,453,588)	(44,505,520)
Interest paid		(3,525,354)	(2,965,270)
Dividends paid		(4,107,573)	(169,546)
Distribution to other equity instrument holders		(590,000)	—
Net cash (used in)/generated from financing activities		(4,940,780)	53,405,249
Net (decrease)/increase in cash and cash equivalents		(19,886,003)	40,557,516
Cash and cash equivalents at the beginning of the period		42,163,328	32,533,369
Effect of foreign exchange rate changes		124,274	100,837
Cash and cash equivalents at the end of the period	37	22,401,599	73,191,722

The accompanying notes form part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30 September 2016
(All amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司).

As approved by the CSRC, the Company publicly issued 1,525,000,000 ordinary shares (A shares) and was listed on the Shanghai Stock Exchange on 26 June 2015, with stock code 601211.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Group is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, financial advisory business relating to securities trading and securities investment, margin financing and securities lending, agency sale of securities investment funds, agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management; investment consultation and other business activities approved by the CSRC.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2016 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB").

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the years ended 31 December 2014 and 2015.

The accounting policies applied in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those used in the Group's consolidated financial statements for the years ended 31 December 2014 and 2015.

Issued but not yet effective international financial reporting standards

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these interim financial information:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 7	*Statement of Cash Flows*[3]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[3]
Amendments to IAS 40	*Investment Property*[1]
Amendments to IFRS 2	*Share-based Payment*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*[4]
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS1*[1]*, IFRS12*[3] *and IAS28*[1]

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

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

[3] Effective for annual periods beginning on or after 1 January 2017

[4] No mandatory effective date yet determined

Except for IFRS 9, IFRS 15 and IFRS 16, the directors consider that the application of the new and revised IFRSs will not have significant impact on these interim financial information. Further information about the assessment of the impact of IFRS 9, IFRS 15 and IFRS 16, is included in the Group's consolidated financial statements for the years ended 31 December 2014 and 2015.

3. USE OF JUDGMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

The significant judgments made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the years ended 31 December 2014 and 2015.

4. FEE AND COMMISSION INCOME

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Securities brokerage and investment consulting business	6,488,494	16,886,305
Underwriting and sponsorship business	2,324,741	1,576,850
Asset management business	1,887,981	1,630,799
Futures brokerage business	403,577	453,696
Financial advisory business	281,402	166,622
Others	191,298	136,394
Total	11,577,493	20,850,666

5. INTEREST INCOME

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Margin financing and securities lending	4,022,981	6,542,700
Deposit in financial institutions	2,843,847	3,740,420
Stock-pledged financing and securities repurchase	1,661,243	1,113,626
Other financial assets held under resale agreements	276,448	491,417
Debt instruments classified as receivables	41,366	64,403
Others	51,648	50,623
Total	8,897,533	12,003,189

6. NET INVESTMENT GAINS

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Dividend and interest income		
Financial instruments at fair value through profit or loss	1,938,575	1,808,627
Available-for-sale financial assets	481,488	413,148
Net realized gains		
Disposal of available-for-sale financial assets	392,473	2,564,793
Disposal of financial instruments at fair value through profit or loss	603,846	1,743,223
Disposal of derivative financial instruments	435,274	955,033
Unrealized gains/(losses)		
Fair value changes of financial instruments at fair value through profit or loss	(206,131)	(926,609)
Fair value changes of derivative financial instruments	91,433	540,952
Total	3,736,958	7,099,167

7. OTHER INCOME AND GAINS

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Gain on disposal of a subsidiary (1)	2,835,339	—
Government grants (2)	702,441	298,103
Foreign exchange gains/(losses)	10,328	(9,341)
Others	152,226	(1,259)
Total	3,700,334	287,503

(1) The detailed information is set out in note 23.

(2) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

8. FEE AND COMMISSION EXPENSES

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Securities brokerage and investment consulting business	1,334,950	2,917,180
Underwriting and sponsorship business	212,139	47,961
Futures brokerage business	64,303	41,431
Others	39,065	29,009
Total	1,650,457	3,035,581

9. INTEREST EXPENSES

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Bonds payable	2,233,712	1,924,670
Financial assets sold under repurchase agreements	1,826,376	3,129,703
Priority tranche holders of structured entities	450,035	773,769
Accounts payable to brokerage customers	346,316	496,935
Loans and borrowings	246,417	268,112
Placements from other financial institutions	190,821	506,132
Short-term debt instruments	145,592	462,184
Securities lending	47,304	30,556
Gold borrowing	38,986	164,027
Derivative financial instruments	26,013	51,396
Others	435	13,131
Total	5,552,007	7,820,615

10. STAFF COSTS

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Salaries, bonuses and allowances	4,852,675	7,235,004
Contributions to defined contribution schemes	447,581	371,699
Other social welfare	318,206	391,515
Total	5,618,462	7,998,218

The employees of the Group in the Mainland China participate in state-managed retirement benefit schemes operated by the respective local government in the Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

11. DEPRECIATION AND AMORTIZATION EXPENSES

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	242,085	219,617
Amortization of other intangible assets	51,829	39,135
Amortization of long-term deferred expenses	18,923	15,276
Amortization of prepaid land lease payments	22	22
Total	312,859	274,050

12. OTHER OPERATING EXPENSES AND COSTS

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Rental expenses	395,668	358,723
Administrative and office operating expenses	160,076	164,600
Promotion and business development expenses	134,054	125,287
Postal and communication expenses	121,997	113,112
Business travel expenses	121,696	93,435
Consulting fees	98,295	158,058
Securities investor protection funds	96,878	162,540
IT expenses	81,283	47,927
Stock exchange management fees	75,642	80,126
Fund and asset management scheme distribution expenses	66,352	99,059
Marketing and advertising expenses	51,391	49,725
Utilities	44,658	47,975
Auditors' remuneration	7,342	5,634
Others	313,860	170,390
Total	1,769,192	1,676,591

13. PROVISION FOR IMPAIRMENT LOSSES

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Available-for-sale financial assets	742,063	517,836
Financial assets held under resale agreements	152,483	38,212
Other non-current assets	8,298	10
Accounts receivable	325	3,806
Margin accounts receivable	(87,759)	194,355
Total	815,410	754,219

14. INCOME TAX EXPENSE

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Current tax		
Mainland China income tax	2,829,030	4,975,729
Hong Kong profits tax	113,589	96,535
Adjustment in respect of prior years		
Mainland China income tax	(71,768)	(6,931)
Hong Kong profits tax	305	(1,708)
Deferred tax	(186,443)	(910,872)
Total	2,684,713	4,152,753

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company's subsidiaries in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period.

A reconciliation of the tax expense is applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Profit before income tax	11,717,832	16,940,225
Tax at the PRC statutory tax rate of 25%	2,929,458	4,235,056
Effect of different tax rates of subsidiaries	(66,937)	(51,951)
Non-deductible expenses	119,093	168,382
Non-taxable income	(245,838)	(176,912)
Profits and losses attributable to joint ventures and associates	(373)	(1,124)
Tax losses not recognized	21,390	2,513
Utilization of tax losses previously not recognized	(617)	(14,572)
Adjustment in respect of current tax and deferred tax of prior years	(71,463)	(8,639)
Total	2,684,713	4,152,753

15. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office during the nine months ended 30 September 2016 is as follows:

	Nine months ended 30 September 2016				
Name	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonus	Remuneration
Executive Directors					
Yang Dehong	—	485	161	229	875
Wang Song	—	485	161	1,067	1,713
Yu Jian[2]	—	810	251	3,890	4,951
Tuo Qibin[3]	—	1,145	104	1,669	2,918
Non-executive Directors					
Fu Fan[1]	—	—	—	—	—
Zhong Maojun[1]	—	—	—	—	—
Zhou Lei[1]	—	—	—	—	—
Wang Yongjian [1]	—	—	—	—	—
Xiang Dong[1] [4]	—	—	—	—	—
Liu Qiang [1]	—	—	—	—	—
Xiong Peijin[1] [5]	—	—	—	—	—
Deng Weili[1] [6]	—	—	—	—	—
Independent Non-executive Directors					
Xia Dawei[7]	—	—	—	—	—
Shi Derong[1]	—	—	—	—	—
Chen Guogang	120	—	—	—	120
Ling Tao	120	—	—	—	120
Jin Qingjun	120	—	—	—	120
Ma Weihua[8]	120	—	—	—	120
Supervisors					
Shang Hongbo	—	—	—	—	—
Zhu Ning	—	437	151	531	1,119
Teng Tieqi	80	—	—	—	80
Shao Chong	80	—	—	—	80
Zuo Zhipeng[9]	—	—	—	—	—
Wang Weijie	—	590	187	1,744	2,521
Liu Xuefeng	—	640	203	1,830	2,673
Zhan Lingzhi[10]	80	—	—	—	80
	720	4,592	1,218	10,960	17,490

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the Relevant Periods.

(2) Appointed as director on 19 May 2016.

(3) Retired as director on 19 May 2016.

(4) Appointed as director on 19 May 2016.

(5) Retired as director on 19 May 2016.

(6) Resigned as director on 25 September 2016.

(7) Appointed as independent director on 19 May 2016. No remuneration has been paid to Mr. Xia Dawei as at 30 September 2016.

(8) Retired as independent director on 19 May 2016.

(9) Appointed as supervisor on 19 May 2016. No remuneration has been paid to Mr. Zuo Zhipeng as at 30 September 2016.

(10) Retired as supervisor on 19 May 2016.

16. DIVIDENDS

	Nine months ended 30 September	
	2016	**2015**
	(Unaudited)	**(Unaudited)**
Proposed and paid dividends	3,965,000	762,500
Distribution to other equity instrument holders	590,000	590,000

Pursuant to the resolution of the meeting of shareholders held on 8 September 2015, the Company distributed cash dividends of RMB1.00 yuan for every 10 shares (tax included) amounting to RMB762.50 million in total for the six months ended 30 June 2015.

Pursuant to the resolution of the meeting of shareholders held on 19 May 2016, the Company distributed cash dividends of RMB5.20 yuan for every 10 shares (tax included) amounting to RMB3,965 million in total for the year ended 31 December 2015.

The dividend distribution of the Company triggered the mandatory interest payment event of perpetual subordinated bonds. As at 30 September 2016 and 31 December 2015, the Company has recognized the dividend payable to other equity instrument holders of RMB590,000,000.

17. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share attributable to shareholders of the Company is as follows:

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity holders of the Company	7,646,549	11,947,067
Less: Profit attributable to other equity holders of the Company (1)	442,500	349,315
Profit attributable to ordinary equity holders of the Company	7,204,049	11,597,752
Less: Dilutive effect of a subsidiary's potential ordinary shares (2)	4,334	5,661
Adjusted profit attributable to ordinary equity holders of the Company	7,199,715	11,592,091
Shares		
Weighted average number of ordinary shares issue during the period (in thousand)	7,625,000	6,642,222
Earnings per share attributable to ordinary equity holders of the Company (RMB Yuan)		
— Basic	0.94	1.75
— Diluted	0.94	1.75

(1) The Company issued two batches of perpetual subordinated bonds during the year ended 31 December 2015, under the terms and conditions as detailed in note 49. For the purpose of basic earnings per ordinary shares calculations in respect of the nine months ended 30 September 2016 and 2015, RMB442.50 million and RMB349.32 million attributable to perpetual subordinated bonds were deducted from the profits attributable to equity holders of the Company.

(2) The dilutive effect is due to the share options issued by Guotai Junan International Holdings Limited.

18. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	Construction in progress	Others	Total
Unaudited									
Cost									
As at 1 January 2016	2,874,799	370,909	50,779	1,123,916	17,680	149,512	348,656	77,754	5,014,005
Additions	18,910	32,043	924	82,710	1,091	5,037	249,030	396	390,141
Transfers during the period	—	—	—	22,415	—	—	(75,990)	—	(53,575)
Disposals	—	(17,985)	(17,006)	(81,194)	(1,210)	(5,092)	—	(1,984)	(124,471)
As at 30 September 2016	2,893,709	384,967	34,697	1,147,847	17,561	149,457	521,696	76,166	5,226,100
Accumulated depreciation									
As at 1 January 2016	(446,376)	(234,929)	(31,083)	(650,183)	(13,186)	(101,175)	—	(24,095)	(1,501,027)
Depreciation charge	(83,767)	(34,915)	(2,255)	(119,930)	(1,054)	(9,471)	—	(1,799)	(253,191)
Disposals	—	15,506	16,276	75,662	1,164	4,040	—	1,731	114,379
As at 30 September 2016	(530,143)	(254,338)	(17,062)	(694,451)	(13,076)	(106,606)	—	(24,163)	(1,639,839)
Impairment									
As at 1 January 2016 and 30 September 2016	(92,253)	—	—	—	—	—	—	—	(92,253)
Carrying amount									
As at 30 September 2016	2,271,313	130,629	17,635	453,396	4,485	42,851	521,696	52,003	3,494,008

Audited	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	Construction in progress	Others	Total
Cost									
As at 1 January 2015	2,878,453	276,131	54,182	897,370	20,598	139,336	207,848	51,088	4,525,006
Acquisition of a subsidiary	—	—	—	18	—	782	—	152	952
Additions	12,560	94,778	2,336	166,343	1,396	17,175	400,701	27,460	722,749
Transfers during the year	—	—	130	119,111	—	—	(259,893)	472	(140,180)
Disposals	(16,214)	—	(5,869)	(58,926)	(4,314)	(7,781)	—	(1,418)	(94,522)
As at 31 December 2015	2,874,799	370,909	50,779	1,123,916	17,680	149,512	348,656	77,754	5,014,005
Accumulated depreciation									
As at 1 January 2015	(357,521)	(189,314)	(30,645)	(571,932)	(15,797)	(96,057)	—	(23,173)	(1,284,439)
Depreciation charge	(101,539)	(45,615)	(4,040)	(133,749)	(1,441)	(12,682)	—	(2,124)	(301,190)
Disposals	12,684	—	3,602	55,498	4,052	7,564	—	1,202	84,602
As at 31 December 2015	(446,376)	(234,929)	(31,083)	(650,183)	(13,186)	(101,175)	—	(24,095)	(1,501,027)
Impairment									
As at 1 January 2015 and 31 December 2015	(92,253)	—	—	—	—	—	—	—	(92,253)
Carrying amount									
As at 31 December 2015	2,336,170	135,980	19,696	473,733	4,494	48,337	348,656	53,659	3,420,725

As at 30 September 2016 and 31 December 2015, included in buildings, there is a cost of RMB240,743 thousand and RMB248,603 thousand respectively, for which the Group has yet to obtain the relevant certificates.

19. PREPAID LAND LEASE PAYMENTS

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Cost		
As at 1 January	876,029	876,029
As at period/year end	876,029	876,029
Accumulated amortization		
As at 1 January	(33,429)	(14,323)
Amortization	(14,329)	(19,106)
As at period/year end	(47,758)	(33,429)
Carrying amount		
As at period/year end	828,271	842,600

20. GOODWILL

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Cost	581,407	581,407
Less: Impairment losses	—	—
Carrying amount	581,407	581,407

Impairment testing on goodwill

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Cost and carrying value		
Unit A — Shanghai Securities Co., Ltd	578,916	578,916
Unit B — Guotai Junan Futures Co., Ltd	2,491	2,491
Total	581,407	581,407

The Company acquired 51% of the equity interest in Shanghai Securities Co., Ltd ("Shanghai Securities") from Shanghai International Group Co., Ltd in July 2014. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Shanghai Securities Co., Ltd.

The Company acquired 100% of the equity interest in Guotai Junan Futures Co., Ltd. from a third party in 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd.

The recoverable amounts of Unit A and Unit B are based on the present value of expected future cash flows. As at 30 September 2016 and 31 December 2015, based on the units' past performance and management's expectations for the market development, management believed that it was unlikely the carrying amount of the CGU to exceed its recoverable amount and determined there was no impairment for both CGUs.

21. OTHER INTANGIBLE ASSETS

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Unaudited					
Cost					
As at 1 January 2016	365,145	207,240	1,066,264	33,174	1,671,823
Additions	75,373	—	—	28	75,401
Disposal	(2,453)	—	—	(96)	(2,549)
As at 30 September 2016	438,065	207,240	1,066,264	33,106	1,744,675
Accumulated amortization					
As at 1 January 2016	(180,359)	(128,079)	—	(1,235)	(309,673)
Amortization	(51,812)	—	—	(17)	(51,829)
Disposal	1,728	—	—	—	1,728
As at 30 September 2016	(230,443)	(128,079)	—	(1,252)	(359,774)
Impairment					
As at 1 January 2016 and 30 September 2016	—	(4,756)	—	(6,252)	(11,008)
Carrying amount					
As at 30 September 2016	207,622	74,405	1,066,264	25,602	1,373,893

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Audited					
Cost					
As at 1 January 2015	265,323	206,640	1,066,264	32,818	1,571,045
Additions	99,822	600	—	356	100,778
As at 31 December 2015	365,145	207,240	1,066,264	33,174	1,671,823
Accumulated amortization					
As at 1 January 2015	(126,336)	(128,079)	—	(1,202)	(255,617)
Amortization	(54,023)	—	—	(33)	(54,056)
As at 31 December 2015	(180,359)	(128,079)	—	(1,235)	(309,673)
Impairment					
As at 1 January 2015 and 31 December 2015	—	(4,756)	—	(6,252)	(11,008)
Carrying amount					
As at 31 December 2015	184,786	74,405	1,066,264	25,687	1,351,142

22. INTERESTS IN STRUCTURED ENTITIES

(a) INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities including asset management schemes, trust schemes and limited partnerships. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of those structured entities that is of such significance that it indicates that the Group is a principal.

The total assets of these consolidated asset management schemes amounted to RMB16,984 million as at 30 September 2016 (31 December 2015: RMB19,209 million).

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group exercises the power throughout the structured entities including limited partnerships and asset management products by acting as manager or general partner during the period/year. Except for the structured entities the Group has consolidated stated in note 22(a), in management's opinion, the variable returns the Group exposed to over these structured entities that the Group has interest in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as available-for-sale financial assets and financial assets at fair value through profit or loss. As at 30 September 2016 and 31 December 2015, the carrying amounts of the Group's interests in unconsolidated structured entities amounted to RMB12,936 million and RMB5,892 million, respectively. The management fee arising from these unconsolidated structured entities amounted to RMB697 million and RMB817 million for the periods ended 30 September 2016 and 2015, respectively.

The carrying amounts of interests in unconsolidated structured entities in the consolidated statements of financial position are approximately equal to the maximum exposure to the loss of interests held by the Group in the unconsolidated structured entities.

23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Share of net assets		
— Associates	638,717	373,657
— Joint ventures	821,926	555,398
Total	1,460,643	929,055

At the end of each reporting period, the Group has the following associates and joint ventures:

Name of associates and joint ventures	Place of incorporation	Issued capital (Expressed in yuan)	Principal activities	Percentage of equity interest	
				As at 30 September 2016	As at 31 December 2015
Associates:					
Anhui Guozhen Group Co., Ltd.	PRC	RMB82,810,000	Environmental industry real estate and power industry	25%	25%

Name of associates and joint ventures	Place of incorporation	Issued capital (Expressed in yuan)	Principal activities	Percentage of equity interest	
				As at 30 September 2016	As at 31 December 2015
Anhui Panguhongye Equity Investment Centre LLP	PRC	RMB30,300,000	Investment and financing	33%	33%
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	PRC	RMB400,000,000	Investment management and advisory	25%	25%
Shenzhen GTJA Leading Junding Chuangtou Phase 1 Fund LLP	PRC	RMB130,000,000	Investment management and advisory	38%	38%
Yingtanshi GTJA Chuangtoulongxin Equity Investment Centre LLP	PRC	RMB169,187,000	Investment management and advisory	20%	18%
Haiji Securities Co., Ltd (2)	PRC	RMB500,000,001	Securities underwriting	17%	51%
Joint ventures:					
GTJA Shenyi (Shenzhen) Funds Management Co., Ltd (1)	PRC	RMB20,000,000	Investment management and advisory	51%	51%
GTJA Leading Investment Management Co., Ltd (1)	PRC	RMB30,000,000	Investment management and advisory	51%	51%
Xiamen GTJA Jianfa Equity Investment Company LLP	PRC	RMB100,000,000	Investment management and advisory	20%	20%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	PRC	RMB200,000,000	Investment management and advisory	25%	25%
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	PRC	RMB500,000,000	Investment management and advisory	20%	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP (1)	PRC	RMB1,000,200,000	Investment management and advisory	55%	55%
Shanghai North Industries GTJA Investment Management Co., Ltd.	PRC	RMB10,000,000	Investment management and advisory	40%	40%

(1) The Group's shareholdings in these investees are higher than 50%, however, these investees are jointly controlled by the Group as a result of relevant arrangements stipulated in the articles of association and other corporate governance documents.

(2) On 11 December 2015, Shanghai Securities Co., Ltd, a subsidiary of the Company, entered into an agreement with Guiyang Financial Holding Co., Ltd to sell 66.67% of its interests in Haiji Securities Co., Ltd ("Haiji Securities") in exchange for a consideration of RMB3,011,220 thousand, which was received in advance in 2015. On 25 February 2016, this transaction was approved by the CSRC. As a result of the transaction, the Company lost the control over Haiji Securities and subsequently accounted for the investment in Haiji Securities using the equity method. In December 2016, Guiyang Financial Holding Co., Ltd contributed RMB5 billion to Haiji Securities. As a result, the shareholding of Haiji Securities held by Shanghai Securities decreased from 33.33% to 5.08%.

An analysis of gains on disposal of Haiji Securities is as follows:

	Carrying amount as at the date of equity transfer
Available-for-sale financial assets	49,984
Financial assets at fair value through profit or loss	147,363
Cash and bank balances	177,336
Other assets	8,656
Employee benefits payable	(3,689)
Income tax payable	(3,044)
Other current liabilities	(587)
Net assets	376,019
Proceeds from disposal of Haiji Securities	3,011,220
66.67% interests of net assets	(250,679)
Commission fee paid	(6,560)
Gain on disposal	2,753,981
Appreciation of revaluation on the remaining equity interest	84,474
Other comprehensive losses reclassified to profit or loss	(3,116)
Total gain on disposal of Haiji Securities	2,835,339

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Nine months ended 30 September 2016
Net outflow of cash and cash equivalents in respect of the disposal of subsidiary	(184,355)

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Share of associates' profit for the period	9,571	5,149
Share of joint ventures' profit for the period	43,605	4,494
Total	53,176	9,643

	Nine months ended 30 September	
	2016	**2015**
	(Unaudited)	**(Unaudited)**
Share of associates' total comprehensive income for the period	17,929	5,149
Share of joint ventures' total comprehensive income for the period	45,289	4,494
Total	63,218	9,643

	As at 30 September 2016	**As at 31 December 2015**
	(Unaudited)	**(Audited)**
Aggregate carrying amount of the Group's investments in associates	638,717	373,657
Aggregate carrying amount of the Group's investments in joint ventures	821,926	555,398

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current	**As at 30 September 2016**	**As at 31 December 2015**
	(Unaudited)	**(Audited)**
At fair value:		
— Equity securities (2) (3)	7,393,239	11,003,291
— Funds (2)	177,695	380,922
— Debt securities	3,962,064	4,294,938
— Other investments (1) (2)	25,780,807	22,925,774
At cost:		
— Equity securities	1,907,412	1,351,679
— Other investments (1)	—	9,831
Less: Impairment losses	(860,214)	(562,873)
Total	38,361,003	39,403,562
Analyzed as:		
Listed in Hong Kong	2,013,473	1,711,521
Listed outside Hong Kong	6,465,853	10,893,641
Unlisted	29,881,677	26,798,400
Total	38,361,003	39,403,562

Current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
At fair value:		
— Debt securities	348,939	17,672
— Other investments (1)	—	500,000
Less: Impairment losses	—	—
Total	348,939	517,672
Analyzed as:		
Listed outside Hong Kong	—	17,672
Unlisted	348,939	500,000
Total	348,939	517,672

(1) Other investments mainly represent investments in asset management schemes issued and managed by the Group and the Company respectively, wealth management products issued by banks and targeted asset management schemes (or trust investments) and assets-back securities managed by non-bank financial institutions.

In addition, as at 30 September 2016 and 31 December 2015, other investment of the non-current available-for-sale financial assets included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). Under the relevant agreements with CSFC, the Company contributed a total amount of RMB17,014 million in July and September 2015. CSFC manages operation and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. It is unclear how CSFC will invest the funds contributed and when the investment will be returned. As at 30 September 2016, the fair value of the Company's contribution was RMB15,404 million based on the investment account statement provided by CSFC (31 December 2015: RMB16,169 million). Considering the nature and purpose of this investment, its difference from our other equity investment, and uncontrollable timing for recovery, management is of the view that there is no objective evidence of impairment with significant or prolonged decline in the fair value of this investment as of 30 September 2016.

(2) As at 30 September 2016 and 31 December 2015, the listed equity securities of the Group included approximately RMB1,671,076 thousand and RMB1,492,406 thousand of restricted shares, 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 value of the securities is determined by reference to the quoted market prices and discounted to reflect the effect of the restriction.

As at 30 September 2016 and 31 December 2015, the fund investments with lock-up periods held by the Group were approximately RMB64,121 thousand and RMB64,493 thousand, respectively.

As at 30 September 2016 and 31 December 2015, the collective asset management schemes with lock-up periods held by the Group were approximately RMB707,633 thousand and RMB540,838 thousand, respectively.

As at 30 September 2016 and 31 December 2015, the Group entered into securities lending arrangements with clients that resulted in the transfer of available-for-sale investments with a total fair value of RMB240,839 thousand and RMB71,223 thousand to external clients, respectively. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.

(3) The fair value of collateral for the securities lending business is analyzed in note 32 together with the fair value of collateral of the margin financing business.

25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

Non-current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Equity securities	18,023,515	4,800,870
Less: Impairment losses	(222,778)	(31,622)
Total	17,800,737	4,769,248

Current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Equity securities	26,991,497	17,936,171
Debt securities	6,610,774	16,962,937
Funds	2,003	1,209
Others	1,971,813	120,050
Less: Impairment losses	(219,212)	(257,885)
Total	35,356,875	34,762,482

(b) Analyzed by market:

Non-current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Shenzhen stock exchange	12,611,831	4,090,160
Shanghai stock exchange	5,411,684	710,710
Less: Impairment losses	(222,778)	(31,622)
Total	17,800,737	4,769,248

Current	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Shenzhen stock exchange	19,667,320	14,081,416
Shanghai stock exchange	7,818,980	6,099,483
Interbank market	6,117,973	14,719,418
Over the counter	1,971,814	120,050
Less: Impairment losses	(219,212)	(257,885)
Total	35,356,875	34,762,482

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Designated as at fair value through profit or loss:		
Funds	157,458	101,732
Total	157,458	101,732
Analyzed as:		
Unlisted	157,458	101,732

Current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Held for trading:		
Equity securities	5,744,927	5,895,671
Funds	16,205,180	24,925,492
Debt securities	43,234,953	56,560,666
Other investments(1)	2,793,232	308,296
Designated as at fair value through profit or loss:		
Equity securities	1,120,655	271,929
Funds	7,505,406	2,510,512
Debt securities	—	437,865
Total	76,604,353	90,910,431
Analyzed as:		
Listed in Hong Kong	885,182	1,402,808
Listed outside Hong Kong	21,894,972	35,445,264
Unlisted(2)	53,824,199	54,062,359
Total	76,604,353	90,910,431

(1) Other investments mainly represent investments in wealth management products issued by banks, precious metal and perpetual bonds.

(2) Unlisted securities mainly comprise of debt securities traded on the Interbank Bond Market.

27. REFUNDABLE DEPOSITS

	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Deposits with exchanges and other financial institutions:		
Futures business	9,059,138	5,001,077
Trading business	533,377	711,924
Credit business	207,865	721,839
Others	72,413	80,907
Total	9,872,793	6,515,747

28. DEFERRED TAX

For the purpose of presentation in the Group's statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Deferred tax assets	732,604	218,134
Deferred tax liabilities	(208,177)	(250,308)
	524,427	(32,174)

The following are the major deferred tax assets/(liabilities) recognized and movements thereon in the year 2015 and the nine months ended 30 September 2016:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Fair value revaluation on acquisition of subsidiaries	Others	Total
As at 1 January 2015	154,832	368,495	(1,208,162)	(480,321)	(51,975)	(1,217,131)
Recognized in profit or loss	113,344	808,097	(24,990)	9,333	26,896	932,680
Recognized in other comprehensive income	—	—	252,277	—	—	252,277
As at 31 December 2015	268,176	1,176,592	(980,875)	(470,988)	(25,079)	(32,174)
Recognized in profit or loss	116,702	(9,238)	36,295	7,000	35,684	186,443
Recognized in other comprehensive income	—	—	372,668	—	(2,510)	370,158
As at 30 September 2016	384,878	1,167,354	(571,912)	(463,988)	8,095	524,427

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

29. OTHER NON-CURRENT ASSETS

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Prepayments (1)	1,212,971	1,212,971
Advances to be recovered from the lawsuit	256,037	256,037
Long-term deferred expenses (2)	36,176	44,420
Debt instruments classified as receivables	—	200,000
Others	323,545	304,319
Less: Impairment losses (3)	(568,642)	(560,356)
Total	1,260,087	1,457,391

(1) The details of prepayments are shown below:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Prepaid equity investments (i)	640,703	640,703
Prepaid construction expenditure (ii)	572,268	572,268
Total	1,212,971	1,212,971

(i) Prepaid equity investments

It mainly represents the prepayment made for the acquisition of interests in Hua An Fund Management Co., Ltd. In April 2014, as approved by the Board of Directors, GTJA Innovation Investment Co., Ltd. ("GTJA Innovation Investment") entered into an agreement with Shanghai Electric Group Corp. ("Shanghai Electric") to purchase a 20% equity interest in Hua An Fund Management Co., Ltd. from Shanghai Electric, at a consideration of RMB600.1 million. As at 29 September 2015, and 30 July 2016, GTJA Innovation Investment and Shanghai Electric entered into two supplementary agreements to extend the agreement to 30 September 2016 with an additional payment.

As at 30 September 2016 and 31 December 2015, GTJA Innovation Investment has paid according to the agreements, an amount of RMB640.7 million. As at 30 September 2016, this transaction was subject to the CSRC's approval.

As at 12 January 2017, GTJA Innovation Investment and Shanghai Electric entered into the third supplementary agreements to further extend the agreement to 30 September 2017 with an additional payment of RMB20.1 million.

(ii) Prepaid construction expenditure

On 16 October 2013, the Company entered into an agreement with Shanghai Bund & Riverside Comprehensive Development Co., Ltd. ("Bund & Riverside Development"). According to this agreement, the Company agreed to purchase one of the 6 properties to be developed by Bund & Riverside Development, on a land lot located at Huangpu District, Shanghai, provided that Bund & Riverside Development acquired this land use right at auction. Bund & Riverside Development obtained the land use right on 12 December 2013. The consideration includes land cost, construction cost, allocated expenses, and etc. As of 30 September 2016 and 31 December 2015, the prepayment for this project amounted to RMB572.3 million.

(2) The movements of long-term deferred expenses are as below:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	44,420	58,564
Additions	10,679	13,105
Amortization	(18,923)	(27,249)
Balance at the end of the period/year	36,176	44,420

(3) Analysis of the movements of provision for impairment losses:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
At the beginning of the period/year	560,356	478,596
Charge for the period/year	8,298	83,699
Reversal of impairment	—	(55)
Amounts written off	(12)	(1,884)
At the end of the period/year	568,642	560,356

30. ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Accounts receivable from:		
— Brokers and dealers	1,029,842	1,465,124
— Fee and commission	570,224	574,519
— Fund management fee	54,797	61,379
— Cash and custodian clients	54,212	75,117
— Settlement	29,194	11,833
Less: Impairment losses	(11,789)	(11,464)
Total	1,726,480	2,176,508

(b) Analyzed by aging:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Within 1 year	1,726,480	2,176,508

(c) Analysis of the movement of provision for impairment losses:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
At the beginning of the period/year	11,464	6,792
Charge for the period/year	325	4,672
At the end of the period/year	11,789	11,464

31. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Interest receivable	2,385,787	2,576,112
Debt instruments classified as receivables	1,329,752	2,184,024
Short-term loans	1,278,664	346,483
Prepayments for expenses	140,124	194,306
Deposit	84,668	68,017
Investment prepayment	60,000	550,589
Dividends receivable	32,290	16,794
Prepayments	13,013	54,202
Others	381,202	274,859
Less: Impairment losses	—	—
Total	5,705,500	6,265,386

32. MARGIN ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Individuals	53,406,914	71,099,284
Institutions	11,095,450	11,453,206
Less: Impairment losses	(193,257)	(281,016)
Total	64,309,107	82,271,474

(b) Analysis of the movements of provision for impairment losses:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
At the beginning of the period/year	281,016	274,410
Charge for the period/year	—	6,606
Reversal of impairment	(87,759)	—
At the end of the period/year	193,257	281,016

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Fair value of collateral:		
— Equity securities	164,619,979	224,692,273
— Cash	9,187,668	14,341,037
Total	173,807,647	239,033,310

33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 September 2016		
		Fair value	
Unaudited	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	1,410,245	—	(5,087)
— Interest rate swap	56,447,639	53,959	(108,037)
Currency derivatives			
— Currency swaps	3,639,411	30,278	(35,223)
Equity derivatives			
— Stock index futures	2,891,003	17,804	(753)
— Stock options	3,782,819	73,663	(56,608)
Others			
— Gold futures	635,724	1,838	(21,715)
—Au (T+D)	1,476,119	22,341	—
— Forward contract	1,411,544	—	(25,697)
— Commodity futures	906,936	15,910	(6,555)
Less: Cash (received)/paid as settlement		(57,893)	57,009
Total		157,900	(202,666)

	As at 31 December 2015		
		Fair value	
Audited	Nominal amount	Assets	Liabilities
Interest rate derivatives			
— Treasury futures	3,156,743	638	(753)
— Interest rate swap	42,238,636	95,755	(172,285)
Currency derivatives			
— Currency swaps	1,632,339	22,415	(20,028)
Equity derivatives			
— Stock index futures	2,853,807	34,424	(110,721)
— Stock options	1,092,921	64,054	(9,469)
— Equity return swaps	30,481	221	(1,552)
Others			
— Gold futures	129,217	920	—
— Au (T+D)	172,286	519	(185)
— Commodity futures	125,871	336	(176)
Less: Cash (received)/paid as settlement		(36,837)	182,069
Total		182,445	(133,100)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, gold futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

34. CLEARING SETTLEMENT FUNDS

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	1,615,301	1,287,369
— Others	217,481	24,132
Total	1,832,782	1,311,501

35. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the ground that it is liable for any loss or misappropriation of its brokerage clients' monies. In the PRC, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

36. CASH AND BANK BALANCES

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Cash on hand	755	724
Bank balances	16,880,047	30,058,214
Total	16,880,802	30,058,938

As at 30 September 2016 and 31 December 2015, the Group's bank balances of RMB405 million and RMB509 million, respectively, were restricted.

37. CASH AND CASH EQUIVALENTS

	As at 30 September 2016	As at 30 September 2015
	(Unaudited)	(Unaudited)
Cash on hand	755	273
Bank balances	16,880,047	51,588,489
Clearing settlement funds	1,832,782	2,332,414
Financial assets held under resale agreements with original maturity of less than three months	6,767,893	21,847,263
Less: bank deposits with original maturity of more than three months and risk reserve deposits	(3,079,878)	(2,576,717)
Total	22,401,599	73,191,722

38. LOANS AND BORROWINGS

Current	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Unsecured loans and borrowings (1)	7,380,933	5,317,896
Secured loans and borrowings (2)	—	174,105
Total	7,380,933	5,492,001

Non-current	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Unsecured loans and borrowings (3)	100,019	2,687,615
Secured loans and borrowings (4)	—	1,890,000
Total	100,019	4,577,615

(1) As at 30 September 2016 and 31 December 2015, the current unsecured loans and borrowings of the Group were repayable within one year, bearing the interest rates ranging from 1.63% to 6.00% and from 1.59% to 6.00%, respectively.

(2) As at 31 December 2015, the current secured loans and borrowings of the Group were repayable within one year and mainly secured by an unlisted fund investment and shares of Shanghai Securities, bearing interest rates ranging from 1.74% to 4.95%.

(3) As at 30 September 2016 and 31 December 2015, the non-current unsecured loans and borrowings of the Group bear interest rates of 4.80% and ranging from 2.12% to 4.80%, respectively. As at 30 September 2016, a total amount of RMB100,019 thousand were repayable within a period of more than one year but not exceeding two years. As at 31 December 2015, a total amount of RMB2,687,615 thousand were repayable within a period of more than two years but not exceeding five years.

(4) As at 31 December 2015, the non-current secured loans and borrowings of the Group, which secured by shares of Shanghai Securities, bear an interest rate of 4.95%. A total amount of RMB210,000 thousand were repayable within a period of more than one year but not exceeding two years and a total amount of RMB1,680,000 thousand were repayable within a period of more than two years but not exceeding five years.

39. SHORT-TERM DEBT INSTRUMENTS

Unaudited	Nominal interest rate	Book value as at 1 January 2016	Increase	Decrease	Book value as at 30 September 2016
Short-term financing bills payable	1.63%-6.30%	1,298,954	19,000,000	(13,298,954)	7,000,000
Medium-term notes	0.90%-10.00%	260,566	68,243	(260,566)	68,243
Structured notes	0.00%-6.70%	759,950	3,695,300	(3,699,410)	755,840
Total		2,319,470	22,763,543	(17,258,930)	7,824,083

Audited	Nominal interest rate	Book value as at 1 January 2015	Increase	Decrease	Book value as at 31 December 2015
Short-term financing bills payable	3.00%-5.28%	10,340,000	23,308,954	(32,350,000)	1,298,954
Short-term corporate bonds	4.40%-5.90%	5,998,600	—	(5,998,600)	—
Medium-term notes	0.30%-1.20%	134,994	260,566	(134,994)	260,566
Structured notes	0.00%-6.80%	694,840	12,988,230	(12,923,120)	759,950
Total		17,168,434	36,557,750	(51,406,714)	2,319,470

40. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Placements from China Securities Finance Co., Ltd. (1)	1,200,000	762,000
Placements from banks (2)	—	7,650,000
Total	1,200,000	8,412,000

(1) As at 30 September 2016 and 31 December 2015, placements from China Securities Finance Co., Ltd. were repayable within one year, bearing annual interest rates 3.00% and 6.30%, respectively.

(2) As at 31 December 2015, placements from banks were repayable within one year, bearing annual interest rates ranging from 2.01% to 2.85%, per annum.

41. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Margin financing and securities lending deposits	12,553,807	19,336,413
Other brokerage business deposits	100,118,491	128,453,334
Total	112,672,298	147,789,747

Accounts payable to brokerage customers mainly include money held on behalf of customers in the banks and clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage customers represent monies received from customers 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.

42. EMPLOYEE BENEFITS PAYABLE

Current	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Salaries, bonuses and allowances	5,798,744	6,423,948
Contributions to defined contribution schemes	25,548	12,357
Social welfare and others	412,307	343,214
Total	6,236,599	6,779,519

Non-current	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Salaries, bonuses and allowances	631,789	614,539
Total	631,789	614,539

43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

Current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Bonds	25,269,902	42,731,844
Margin accounts receivable-backed repurchase	15,100,000	17,650,000
Funds	3,887,011	3,575,250
Others	3,020,562	4,362,318
Total	47,277,475	68,319,412

Non-current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Margin accounts receivable-backed repurchase	1,000,000	13,800,000
Total	1,000,000	13,800,000

(b) Analyzed by market:

Current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Interbank market	15,173,380	24,472,840
Stock exchanges	15,726,064	21,498,709
Over the counter	16,378,031	22,347,863
Total	47,277,475	68,319,412

Non-current	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)
Over the counter	1,000,000	13,800,000
Total	1,000,000	13,800,000

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Current

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Held for trading[1]		
—Debt securities	3,842,847	4,634,565
—Gold	2,052,026	162,688
Designated as at fair value through profit or loss		
—Debt securities[2]	7,790,126	1,616,930
Total	13,684,999	6,414,183

Non-current

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Designated as at fair value through profit or loss		
—Interest attributable to other holders of consolidated structured entities[3]	197,028	—
Total	197,028	—

(1) As at 30 September 2016 and 31 December 2015, included in the Group's financial liabilities held for trading through profit or loss were bonds and gold borrowed by the Group.

(2) As at 30 September 2016 and 31 December 2015, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.

(3) The financial liabilities arising from consolidation of structured entities were designated as 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 the net book value and related terms of those consolidated structured entities.

45. BONDS PAYABLE

Current

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Corporate bonds[(1)]	3,100,018	—
Subordinated bonds[(1)]	7,356,203	4,496,500
Structured notes	1,700,000	200,000
Total	12,156,221	4,696,500

Non-current

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Corporate bonds[(1)]	26,244,998	12,276,251
Subordinated bonds[(1)]	23,599,337	29,451,230
Structured notes	600,000	11,200,000
Total	50,444,335	52,927,481

(1) The details of the outstanding bonds payable are as follows:

As at 30 September 2016

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate Bonds				
11 GTJA Bond	3,000,000	2011.1.28	2017.1.28	5.50%
MTN 34	50,000	2015.7.27	2017.7.27	4.10%
MTN 35	50,000	2015.7.28	2017.7.28	4.10%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.7.9	2017.7.9	6.00%
14 GUOJUN 05	3,000,000	2014.9.29	2017.9.29	6.10%
14 Shanghai Securities 01 (i)	450,000	2014.9.24	2017.9.24	4.80%
14 Shanghai Securities 02 (i)	908,000	2014.9.24	2017.9.24	5.30%
Non-current				
Corporate Bonds				
GUOTAI FH B1905 (ii)	3,059,553	2014.5.23	2019.5.22	3.625%
15 GUOJUN G1 (iii)	5,000,000	2015.11.19	2020.11.19	3.60%

Name	Par value	Issue date	Maturity date	Coupon rate
15 GUOJUN G2 (iv)	1,000,000	2015.11.19	2022.11.19	3.80%
16 GUOJUN G1 (v)	5,000,000	2016.4.12	2021.4.12	2.97%
16 GUOJUN G2 (vi)	1,000,000	2016.4.12	2023.4.12	3.25%
16 GUOJUN G3 (vii)	5,000,000	2016.8.12	2021.8.12	2.90%
16 GUOJUN G4	3,000,000	2016.8.12	2021.8.12	3.14%
16 GUOJUN G5 (viii)	3,000,000	2016.9.21	2021.9.21	2.94%
Subordinated Bonds				
14 GUOJUN 06	5,000,000	2014.12.4	2017.12.4	5.40%
15 GUOJUN C1 (ix)	10,000,000	2015.4.28	2018.4.28	5.70%
16 GUOJUN C1 (x)	5,000,000	2016.7.19	2020.7.19	3.30%
15 Shanghai Securities 01(xi)	1,500,000	2015.3.19	2018.3.19	6.00%
15 Shanghai Securities 02(xii)	2,100,000	2015.4.28	2018.4.28	6.00%

As at 31 December 2015

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Subordinated Bonds				
14 GUOJUN 01	1,500,000	2014.2.12	2016.2.12	6.30%
14 GUOJUN 04	3,000,000	2014.8.14	2016.8.14	5.80%
Non-current				
Corporate Bonds				
11 GTJA Bond	3,000,000	2011.1.28	2017.1.28	5.50%
GUOTAI FH B1905 (ii)	3,059,553	2014.5.23	2019.5.22	3.625%
MTN 34	50,000	2015.7.27	2017.7.27	4.10%
MTN 35	50,000	2015.7.28	2017.7.28	4.10%
15 GUOJUN G1 (iii)	5,000,000	2015.11.19	2020.11.19	3.60%
15 GUOJUN G2 (iv)	1,000,000	2015.11.19	2022.11.19	3.80%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.7.9	2017.7.9	6.00%
14 GUOJUN 02(xiii)	1,500,000	2014.5.16	2018.5.16	6.15%
14 GUOJUN 03(xiv)	2,000,000	2014.5.29	2018.5.29	6.10%
14 GUOJUN 05	3,000,000	2014.9.29	2017.9.29	6.10%
14 GUOJUN 06	5,000,000	2014.12.4	2017.12.4	5.40%
15 GUOJUN C1 (ix)	10,000,000	2015.4.28	2018.4.28	5.70%
14 Shanghai Securities 01 (i)	450,000	2014.9.24	2017.9.24	4.80%
14 Shanghai Securities 02 (i)	908,000	2014.9.24	2017.9.24	5.30%
15 Shanghai Securities 01(xi)	1,500,000	2015.3.19	2018.3.19	6.00%
15 Shanghai Securities 02(xii)	2,100,000	2015.4.28	2018.4.28	6.00%

(i) In September 2014, Shanghai Securities issued a 3-year subordinated bond with par value of RMB1.5 billion. The bond includes two tranches. Tranche one is fully secured by China National Investment & Guaranty Corporation, bearing an annual interest rate of 5.80% payable on an annual basis, tranche two is unsecured subordinated bonds, bearing a fixed annual interest rate of 6.30% payable on annual basis. At the end of the first year, the issuer has an option to adjust the interest rate and the investors have a redemption option. On 24 September 2015, a total amount of RMB142 million of tranche two was redeemed as a result of the exercise of the redemption option by investors. The interest rate of tranche one and tranche two has been decreased by issuer for 100bps to 4.80% and 5.30%, respectively.

(ii) In May 2014, Guotai Junan Financial Holding Limited (BVI Co.) issued a 5-year credit enhancement bond with a par value of USD500 million. The bond is listed on the Hong Kong Stock Exchange with the bond code of 5754 and bears a fixed annual interest rate of 3.625% payable on a semi-annual basis.

(iii) In November 2015, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears a fixed annual interest rate of 3.60% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.

(iv) In November 2015, as approved by the CSRC, the Company issued a 7-year corporate bond with par value of RMB1 billion. The bond bears a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the fifth year.

(v) In April 2016, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears an annual interest rate of 2.97% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.

(vi) In April 2016, as approved by the CSRC, the Company issued a 7-year corporate bond with par value of RMB1 billion. The bond bears an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the fifth year.

(vii) In August 2016, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears a fixed annual interest rate of 2.90% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.

(viii) In September 2016, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB3 billion. The bond bears a fixed annual interest rate of 2.94% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.

(ix) In April 2015, as approved by the CSRC, the Company issued a 3-year subordinated bond with par value of RMB10 billion. The bond bears an annual interest rate of 5.70% payable on an annual basis. The issuer has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps.

(x) In July 2016, as approved by the CSRC, the Company issued a 4-year subordinated bond with par value of RMB5 billion. The bond bears an annual interest rate of 3.30% payable on an annual basis. The issuer has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps.

(xi) In March 2015, Shanghai Securities issued a 3-year subordinated bond with par value of RMB1.5 billion. The bond bears a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has a right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year.

(xii) In April 2015, Shanghai Securities issued a 3-year subordinated bond with par value of RMB2.1 billion. The bond bears a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has a right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year.

(xiii) In May 2014, as approved by the CSRC, the Company issued a 4-year subordinated bond with par value of RMB1.5 billion. The bond bears a fixed annual interest rate of 6.15%, payable on an annual basis. The Company has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps. A total amount of RMB1.5 billion has been redeemed at 16 May 2016.

(xiv) In May 2014, as approved by the CSRC, the Company issued a 4-year subordinated bond with par value of RMB2 billion. The bond bears a fixed annual interest rate of 6.10% payable on an annual basis. The Company has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate will increase by 300 bps. A total of RMB2 billion has been redeemed at 29 May 2016.

46. OTHER CURRENT LIABILITIES

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Payables to priority tranche holders of structured entities	2,866,682	10,924,358
Proceeds from underwriting securities received on behalf of customers	1,838,492	1,612,757
Interest payable	1,813,485	2,329,559
Value-added tax, business tax and other tax payable	647,812	1,103,002
Dividends payable	618,959	620,708
Settlement payables	347,439	54,610
Accounts payables to brokers	324,978	644,724
Underwriting fee payable in relation to A share IPO	312,881	312,881
Accounts payable arising from derivative brokerage	261,512	242,961
Commission payable to other distributors	238,624	33,411
Payable for a construction project	95,458	128,793
Payable for Shenzhen Stock Exchange's membership management fee	73,856	60,560
Payables for securities investor protection fund	28,315	72,495
Distribution expense payable	26,858	73,258
Advance received from disposal of a subsidiary	—	3,011,220
Payables for asset-backed securities asset management schemes	—	475,000
Interest received from bonds held as collateral for reverse repo business	—	264,950
Others	569,280	770,367
Total	10,064,631	22,735,614

47. OTHER NON-CURRENT LIABILITIES

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Payables to priority tranche holders of structured entities	4,225,722	3,434,226
Risk reserve for futures brokerage business	102,118	90,948
Total	4,327,840	3,525,174

48. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1 yuan. The Company's number of shares issued and their nominal value are as follows:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Registered, issued and fully paid ordinary shares of RMB1 yuan each:		
— Domestic shares		
At the beginning of the period/year	7,625,000	6,100,000
Issuance of shares[(1)]	—	1,525,000
At the end of the period/year	7,625,000	7,625,000

(1) As at 9 June 2015, as approved by the CSRC, the Company was listed on the A share market and issued RMB1,525 million denominated ordinary shares to the public at a price of RMB19.71 per share. The proceeds received from the A share IPO amounted to RMB30,058 million (RMB29,663 million after deducting underwriting and sponsorship fees), which increased the registered capital by RMB1,525 million and share premium by RMB28,138 million, respectively.

49. OTHER EQUITY INSTRUMENTS

On 22 January 2015, the Company issued the first batch of perpetual subordinated bonds amounting to RMB5 billion with an initial interest rate of 6.00%. On 3 April 2015, the Company issued the second batch of perpetual subordinated bonds amounting to RMB5 billion with an initial interest rate of 5.80% (collectively referred to as "Perpetual Subordinated Bonds").

The Perpetual Subordinated Bonds have no fixed maturity date. The Company has an option to redeem them at their principal amounts plus any accrued interests, on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bond is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The Perpetual Subordinated Bonds issued by the Company are classified as equity instruments and presented under equity in the consolidated statement of financial position.

As at 30 September 2016 and 31 December 2015, the Group recognized dividends payable to holders of Perpetual Subordinated Bonds amounting to RMB590 million and RMB590 million (note 16), respectively.

50. RESERVES AND RETAINED PROFITS

(1) 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.

(2) Investment revaluation reserve

The movements of the investment revaluation reserve of the Group are set out below:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
At the beginning of the period/year	1,337,817	2,222,716
Available-for-sale financial assets		
Net changes in fair value during the period/year	(1,748,937)	1,329,405
Reclassified to profit or loss on disposal	(391,064)	(3,014,085)
Reclassified to profit or loss on impairment	680,407	524,645
Share of other comprehensive income of associates and joint ventures	10,563	—
Income tax impact	361,313	275,136
At the end of the period/year	250,099	1,337,817

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, expand the production and operation, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

Pursuant to the resolution of the 4th extraordinary meeting of the 4th term of the board of directors on 28 May 2013, the Company decided to raise the appropriation rate of the discretionary surplus reserve and the general risk reserve by 1%, respectively, during the existence of the security company bond issued in 2013, that is to appropriate 1% of its net profit to discretionary surplus reserve and 11% of its net profit to the general risk reserve.

(5) General reserve

The general reserve includes the general risk reserve and the 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% of its annual net profit to the transaction risk reserve.

Pursuant to the resolution of the 4th extraordinary meeting of the 4th term of the board of directors on 28 May 2013, the Company decided to raise the appropriation rate of the discretionary surplus reserve and the general risk reserve by 1%, respectively, during the existence of the security company bond issued in 2013, that is to appropriate 1% of its net profit to the discretionary surplus reserve and 11% of its net profit to the general risk reserve.

(6) Retained profits

The movements of retained profits are set out below:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
At the beginning of the period/year	31,937,998	22,258,917
Profit for the period/year	7,646,549	15,700,291
Appropriation to surplus reserve	—	(1,508,419)
Appropriation to general reserve	—	(3,160,291)
Dividends	(3,965,000)	(762,500)
Distribution to other equity instrument holders	(590,000)	(590,000)
Others	1,466	—
At the end of the period/year	35,031,013	31,937,998

51. COMMITMENTS

(1) Capital commitments

In June 2014, the Company commenced its self-used office buildings construction project on No. 49 land lot in Jingan District, Shanghai, after obtaining the relevant permit. The project expects to be completed in 3 years, with a total budget of RMB1.6 billion, of which RMB748 million is the development cost and RMB876 million is the land cost. This budget has been approved in the 5th meeting of the 4th term of the board of directors. In August 2016, the adjustment of budget amounting to RMB1.88 billion has been approved in the 2nd meeting of the 5th term of the board of directors. As at 30 September 2016 and 31 December 2015, the accumulated amounts paid by Shanghai Guoxiang Real Estate Co., Ltd were RMB1,111 million and RMB1,042 million, respectively.

On 16 October 2013, the Company entered into an agreement with Bund & Riverside Development. According to this agreement, the Company agreed to purchase one of the 6 properties to be developed by Bund & Riverside Development on a land lot located at Huangpu District, Shanghai, provided that Bund & Riverside Development acquired this land use right at auction. The consideration includes land cost, construction cost, allocated expenses, and etc. Bund & Riverside Development obtained the land use right in December 2013. The budget for this project is RMB1.18 billion, which was approved in the 10th meeting of the 4th term of the board of directors. As at 30 September 2016 and 31 December 2015, the accumulated amount paid by the Company was RMB572 million.

(2) Operating lease commitments

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Within 1 year (inclusive)	485,771	449,619
1 to 2 years (inclusive)	381,787	361,215
2 to 3 years (inclusive)	139,330	246,713
After 3 years	209,153	244,257
Total	1,216,041	1,301,804

52. CONTINGENCIES

As at 30 September 2016 and 31 December 2015, the contingent liabilities due to pending litigation amounted to RMB161,048 thousand and RMB32,468 thousand respectively.

53. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Major shareholders include shareholders with shareholding of 5% or above of the Company.

Share percentage in the Company:

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Shanghai State-owned Assets Operation Co., Ltd	25.99%	25.63%
Shanghai International Group Co., Ltd	9.16%	9.16%
Shenzhen Investment Holding Co., Ltd	8.18%	8.18%

(2) Associates and joint ventures of the Company

The detailed information of the Company's associates and joint ventures is set out in note 23.

(b) Related parties transactions and balances

The Group enters into transactions with related parties in the ordinary course of business under normal commercial terms.

(1) Transactions between the Group and major shareholders:

(i) Balances at the end of the period/year

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Loans and borrowings		
— Shanghai International Group Co., Ltd	—	1,000,000

(ii) Transactions during the period

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Fee and commission income		
— Shanghai International Group Co., Ltd	211	478
Interest expenses		
— Shanghai International Group Co., Ltd	9,456	104,584

The above related party transactions in (i) and (ii) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(2) Transactions between the Group with associates, joint ventures and other related parties:

(i) Balances at the end of the period/year

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Assets		
Cash and bank balances	9,164,171	7,039,491
Accounts receivable	28,363	23,485
Liabilities		
Other current liabilities	1,699	816
Bonds payable	1,000,000	1,000,000

(ii) Transactions during the period

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Fee and commission income	87,070	99,424
Interest income	193,768	193,160
Fee and commission expenses	2,947	2,621
Interest expenses	62,552	76,021
Other operating expenses and costs	721	805

(c) Transactions between the Company and subsidiaries

(1) Balances at the end of the period/year

	As at 30 September 2016	As at 31 December 2015
	(Unaudited)	(Audited)
Assets		
Accounts receivable	1,240,105	863,697

(2) Transactions during the period

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Fee and commission income	570,022	381,165
Interest income	2,644	—
Other income and gains	400,000	25,500

(d) Remuneration of key management personnel

Remuneration of key management personnel of the Group is as follows:

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits	4,224	5,512
Pension scheme contributions and other social welfare	1,391	1,943
Discretionary bonus	13,847	4,171
Total	19,462	11,626

54. SEGMENT REPORTING

The Group is organized into business units based on their products and services and has reportable operating segments as follows:

(1) Institutional finance — Institutional investor services, which primarily includes prime brokerage, stock-pledged financing and research businesses provided to institutional clients, as well as market-making and proprietary activities;

(2) Institutional finance — Investment banking, which primarily includes equity underwriting and sponsorship, debt underwriting and financial advisory services;

(3) Personal finance, which primarily includes retail brokerage, margin financing and securities lending provided to retail clients;

(4) Investment management, which primarily includes asset management, fund management, private equity investment management services to clients, as well as the Group's private equity and alternative investments;

(5) International business, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, margin financing, trading and investment, and advisory businesses; and

(6) Other, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purpose.

(a) Operating segments

	Nine months ended 30 September 2016						
	Institutional finance						
Unaudited	**Institutional investor services**	**Investment banking**	**Personal finance**	**Investment management**	**International business**	**Other**	**Total**
Segment total revenue and other income							
Fee and commission income	606,307	2,377,423	6,192,890	1,853,947	546,926	—	11,577,493
Interest income	2,717,110	184	5,356,493	25,837	797,882	27	8,897,533
Net investment gains	3,153,276	—	—	231,072	352,610	—	3,736,958
Other income and gains	133,311	—	14,916	2,926,363	1,297	624,447	3,700,334
Total revenue and other income	6,610,004	2,377,607	11,564,299	5,037,219	1,698,715	624,474	27,912,318
Segment expenses	(5,171,780)	(1,280,697)	(7,582,116)	(704,776)	(911,222)	(597,071)	(16,247,662)
Including: Interest expenses	(2,950,226)	—	(2,254,042)	—	(347,739)	—	(5,552,007)
Provision for impairment losses	(891,546)	—	87,759	(10,750)	(873)	—	(815,410)
Segment operating profit	1,438,224	1,096,910	3,982,183	4,332,443	787,493	27,403	11,664,656
Share of profit of associates and joint ventures	—	—	—	53,176	—	—	53,176
Segment profit before income tax	1,438,224	1,096,910	3,982,183	4,385,619	787,493	27,403	11,717,832
Income tax expense	(329,516)	(251,317)	(912,372)	(1,004,804)	(180,425)	(6,279)	(2,684,713)
Segment profit for the period	1,108,708	845,593	3,069,811	3,380,815	607,068	21,124	9,033,119
As at 30 September 2016							
Segment total assets	152,436,381	680,730	174,458,601	12,526,921	42,589,435	3,335,990	386,028,058
Segment total liabilities	95,945,133	2,083,039	141,618,688	3,150,769	34,688,906	227,752	277,714,287
Nine months ended 30 September 2016							
Other segment information:							
Depreciation and amortization expenses	114,932	797	159,380	7,131	21,787	8,832	312,859
Capital expenditure	130,204	542	143,529	5,926	10,074	128,628	418,903

	Nine months ended 30 September 2015						
	Institutional finance						
Unaudited	**Institutional investor services**	**Investment banking**	**Personal finance**	**Investment management**	**International business**	**Other**	**Total**
Segment total revenue and other income							
Fee and commission income	867,129	1,612,426	16,116,665	1,575,393	678,117	936	20,850,666
Interest income	2,470,916	3,827	8,841,130	22,155	665,127	34	12,003,189
Net investment gains	6,672,045	—	—	280,947	146,175	—	7,099,167
Other income and gains/(losses)	11,514	—	7,640	17,481	(18,685)	269,553	287,503
Total revenue and other income	10,021,604	1,616,253	24,965,435	1,895,976	1,470,734	270,523	40,240,525
Segment expenses	(5,116,057)	(881,821)	(14,855,077)	(899,692)	(859,553)	(697,743)	(23,309,943)
Including: Interest expenses	(2,418,316)	—	(5,099,600)	(51,676)	(251,023)	—	(7,820,615)
Provision for impairment losses	(442,613)	—	(194,310)	—	(117,296)	—	(754,219)
Segment operating profit/(loss)	4,905,547	734,432	10,110,358	996,284	611,181	(427,220)	16,930,582
Share of profit of associates and joint ventures	—	—	—	9,643	—	—	9,643
Segment profit before income tax	4,905,547	734,432	10,110,358	1,005,927	611,181	(427,220)	16,940,225
Income tax expense	(1,202,553)	(180,040)	(2,478,469)	(246,594)	(149,826)	104,729	(4,152,753)
Segment profit/(loss) for the period	3,702,994	554,392	7,631,889	759,333	461,355	(322,491)	12,787,472
As at 31 December 2015							
Segment total assets	147,773,707	1,063,710	258,528,000	8,877,812	34,408,825	3,690,333	454,342,387
Segment total liabilities	110,493,354	1,485,598	208,623,297	3,012,726	28,404,333	686,358	352,705,666
Nine months ended 30 September 2015							
Other segment information:							
Depreciation and amortization expense	74,883	1,758	168,660	6,790	16,638	5,321	274,050
Capital expenditure	86,856	241	227,266	18,901	34,667	82,747	450,678

(b) Geographical segments

Revenue

	Nine months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
Mainland, China	22,514,564	38,463,603
Hong Kong, China	1,697,420	1,489,419
Total	24,211,984	39,953,022

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

There was no more than 10% of operating income from a single customer (including all the entities under its control).

55. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

30 September 2016 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Held for trading				
— Equity securities	5,401,502	343,425	—	5,744,927
— Funds	9,557,202	6,647,978	—	16,205,180
— Debt securities	7,082,334	36,152,619	—	43,234,953
— Other investments	1,069,452	1,723,780	—	2,793,232
Designated as at fair value through profit or loss				
— Equity securities	—	—	1,120,655	1,120,655
— Funds	—	7,505,406	157,458	7,662,864
Available-for-sale financial assets				
— Equity securities	4,889,720	397,380	1,653,834	6,940,934
— Funds	89,936	87,179	—	177,115
— Debt securities	644,726	3,337,873	—	3,982,599
— Other investments	4,015,483	20,793,074	954,413	25,762,970
Derivative financial assets	73,639	84,261	—	157,900
Total	32,823,994	77,072,975	3,886,360	113,783,329
Financial liabilities at fair value through profit or loss				
Held for trading				
— Debt securities	1,610,708	2,232,139	—	3,842,847
— Gold	2,052,026	—	—	2,052,026
Designated as at fair value through profit or loss				
— Debt securities	—	6,780,666	1,009,460	7,790,126
— Interest attributable to other holders of consolidated structured entities	—	—	197,028	197,028
Derivative financial liabilities	56,552	146,114	—	202,666
Total	3,719,286	9,158,919	1,206,488	14,084,693

31 December 2015 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Held for trading				
— Equity securities	5,751,930	143,741	—	5,895,671
— Funds	24,920,484	5,008	—	24,925,492
— Debt securities	9,961,532	46,561,099	38,035	56,560,666
— Other investments	103,078	205,218	—	308,296
Designated as at fair value through profit or loss				
— Equity securities	—	—	271,929	271,929
— Funds	—	2,612,244	—	2,612,244
— Other investments	—	437,865	—	437,865
Available-for-sale financial assets				
— Equity securities	8,981,202	252,227	1,279,075	10,512,504
— Funds	345,250	35,654	—	380,904
— Debt securities	2,643,585	1,669,025	—	4,312,610
— Other investments	3,686,132	18,955,516	770,146	23,411,794
Derivative financial assets	64,167	118,278	—	182,445
Total	56,457,360	70,995,875	2,359,185	129,812,420
Financial liabilities at fair value through profit or loss				
Held for trading				
— Debt securities	4,080,738	553,827	—	4,634,565
— Gold	162,688	—	—	162,688
Designated as at fair value through profit or loss				
— Debt securities	—	1,616,930	—	1,616,930
Derivative financial liabilities	9,470	123,630	—	133,100
Total	4,252,896	2,294,387	—	6,547,283

There were no significant transfers of fair value measurements between Level 1 and Level 2 during the periods.

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the period/year, the Group held no changes on the valuation techniques for level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, and liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs were no significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

(3) Movements in Level 3 financial instruments measured at fair value:

	As at 30 September 2016		
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Financial liabilities at fair value through profit or loss**
At the beginning of the period	309,963	2,049,222	—
Gains for the period	34,645	—	—
Changes in fair value recognized in other comprehensive income	—	(30,700)	—
Purchases	1,009,460	617,972	—
Issues	—	—	(1,009,720)
Disposal and settlements	(75,695)	(225,275)	—
At the end of the period	1,278,373	2,411,219	(1,009,720)

	As at 31 December 2015	
	Financial assets at fair value through profit or loss	Available-for-sale financial assets
At the beginning of the year	232,957	734,226
Transfer in from Level 2	—	5,025
Losses for the year	(7,237)	—
Changes in fair value recognized in other comprehensive income	—	629,344
Purchases	113,318	1,097,620
Disposal and settlements	(29,075)	(416,993)
At the end of the year	309,963	2,049,222

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investment with disposal restriction in a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Other equity investment	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Other investment	Level 3	Discounted Cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value

(5) Financial assets and liabilities not measured at fair value

As at 30 September 2016 and 31 December 2015, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximate to their fair values as, except for bonds payable, whose carrying amounts and fair values are summarized below:

Bonds payable	As at 30 September 2016	As at 31 December 2015
Carrying amounts	62,300,556	57,623,981
Fair values		
— Level 2	61,366,542	47,540,208
— Level 3	2,095,508	11,532,961
	63,462,050	59,073,169

56. EVENTS AFTER THE REPORTING PERIOD

Other than those already disclosed elsewhere in the Interim Financial Information, the events after the reporting period are as follows:

On 19 May 2016, as approved in the annual shareholders' meeting for the year 2015, the Company determined to issue convertible bonds with par value not more than RMB8 billion (including RMB8 billion). On 12 December 2016, as approved in the 5th interim meeting of the 5th term of the board of directors, the issuance of the convertible bonds with par value is adjusted to no more than RMB7 billion(including RMB7 billion). On 21 December 2016, the convertible bonds issuance was reviewed and approved by the CSRC Main Board Issuance Examination Committee and the convertible bonds issuance is still subject to the final approval by the CSRC.

On 20 August 2016, pursuant to the approval of the Board of Directors, the Company resolved to sell its entire 51% equity interest in GTJA Allianz Funds Co., Ltd. ("GTJA Allianz Funds"). In January 2017, the equity interest was listed for sale on the Shanghai United Assets and Equity Exchange. Upon the completion of the transaction, the Company will not hold any interest in GTJA Allianz Funds. The proposed transaction is subject to the approval from the CSRC.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION OF SECURITY HOLDERS

Taxation

The following is a summary of certain PRC and Hong Kong tax consequences arising from ownership of H Shares by investors who purchase such H Shares in the [REDACTED] and hold the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section does not address any aspect of taxation of the PRC or Hong Kong other than income tax, capital tax, value-added tax, stamp duty and estate duty. Prospective investors are advised to consult their own tax advisors regarding the PRC, Hong Kong and other tax consequences of investing in H Shares.

PRC TAXATION

Taxation on Dividends

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法), amended on June 30, 2011 and became effective on September 1, 2011, and the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法實施條例), amended on July 19, 2011 and became effective on September 1, 2011, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For foreign individuals who are not residents of the PRC, their receipts of dividends from a PRC company are normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Circular of the State Administration of Taxation on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發 [1993] 045號文件廢止後有關個人所得稅徵管問題的通知》) which became effective on June 28, 2011, for any non-foreign invested enterprise in the PRC that launches its initial public offering in Hong Kong, its individual investors who are overseas residents are entitled to enjoy the relevant tax benefits provided under the tax treaty signed between the country of their residence and the PRC and under the tax arrangement between mainland China and Hong Kong (Macau). Dividends distributed by any non-foreign invested enterprise in the PRC that has launched its initial public offering in Hong Kong (the "relevant domestic non-foreign invested enterprise") to overseas individual investors (the "relevant individual investors") are generally subject to individual income tax of the PRC at the withholding tax rate of 10% and are not required to complete an application procedure at the taxation authority of the PRC. If the tax rate of 10% is not applicable, the relevant domestic non-foreign invested enterprise shall (1) return the excess amount of tax withheld if an

income tax treaty at a tax rate of lower than 10% has been signed between the country of the relevant individual investor and the PRC after an application to enjoy the lower tax rate has been made by the relevant domestic non-foreign invested enterprise on behalf of such investor and approved by the competent taxation authority; (2) if the income tax treaty signed between the country of the relevant individual investor and the PRC provided a tax rate above 10% but below 20%, the relevant domestic non-foreign invested enterprise shall withhold the tax amount according to the tax rate under the treaty and completion of an application procedure will not be required; (3) if the country of the relevant individual investor has not signed any tax treaty with the PRC or under any other circumstances, the relevant domestic non-foreign invested enterprise shall withhold the tax amount at the tax rate of 20%.

Enterprises

In accordance with the EIT Law and the EIT Rules, both became effective on January 1, 2008, a non-PRC resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation. The aforesaid income tax payable by non-PRC resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the amount due and payable.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家税務總局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税有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the SAT and became effective on November 6, 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to dividend paid out of profit generated since January 1, 2008. A non-PRC resident enterprise shareholder who is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, by itself or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (Guo Shui Han [2006] No. 884) signed between mainland China and Hong Kong on income tax matters on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to Hong Kong residents (including natural persons and legal entities) subject to a maximum of 10% of the gross amount of dividends payable, or 5% for Hong Kong residents holding 25% or more of equity interest in such PRC company.

Tax Treaties

Non-PRC resident investors who reside in countries which have entered into double-taxation treaties with the PRC or reside in Hong Kong or Macau are entitled to preferential treatment of withholding tax on dividends to investors by PRC companies. The PRC has entered into double-taxation arrangement with Hong Kong and Macau respectively and has entered into double-taxation treaties with certain other countries, including but not limited to, Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise entitled to a preferential tax rate under a relevant income tax treaty or arrangement must apply to PRC tax authorities for refund of the difference between the amounts of tax withheld and the tax computed based on the treaty rate.

Taxation on Gains from Share Transfer

Individual Investors

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), individuals are subject to individual income tax at the rate of 20% on gains from sales of equity interests in PRC resident enterprises. Under the Circular of the Ministry of Finance and the State Administration of Taxation on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, effective from January 1, 1997, gains of individuals from transfer of shares of listed enterprises continues to be exempted from individual income tax. In the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which provides that such individuals' income from transfer of shares of listed companies on particular domestic exchange shall continue to be exempted from individual income tax, except for the shares of certain specified companies which are subject to sales limitation (as defined in the supplementary notice of such Circular issued on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that non-PRC resident individuals are subject to individual income tax for sales of shares of PRC resident enterprises listed on overseas stock exchanges. In actual operation, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from sales of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprises

In accordance with the EIT Law and the EIT Rules, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including

gains derived from the disposal of shares in a PRC resident enterprise, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

PRC Stamp Duty

Pursuant to the Provisional Regulations of the People's Republic of China Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) amended on January 8, 2011 and the Implementation Rules for the Provisional Regulations of the People's Republic of China Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) which came into effect on October 1, 1988, PRC stamp duty is applicable to documents which have legal binding effect in the PRC and are governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside the PRC.

Estate Duty

The PRC currently has not imposed any estate duty.

Tax Policies for Shanghai-Hong Kong Stock Connect

On November 10, 2014, the CSRC and the SFC granted their approvals to Shanghai Stock Exchange, the Hong Kong Stock Exchange, China Securities Depository and Clearing Company Limited and HKSCC for formal launch of the Shanghai-Hong Kong Stock Connect pilot program. Trading in shares under the Shanghai-Hong Kong Stock Connect kicked off formally on November 17, 2014. Pursuant to the Shanghai-Hong Kong Stock Connect Tax Policy:

From November 17, 2014 to November 16, 2017, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are temporarily exempt from individual income tax. Gains on price difference derived by mainland individual investors through trading in shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are exempt from business tax levying pursuant to current policies. Dividends derived by mainland individual investors through investment into H shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are subject to 20% of withholding income tax by H shares companies. Individual investors who have paid withholding taxes overseas, with effective taxation certificates, can apply to competent taxation authorities under China Securities Depository and Clearing Company Limited for tax credit. Dividends derived by mainland securities investment funds through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are subject to individual income tax pursuant to provisions above.

Gains on price difference from transfer of shares derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are credited to their total income and subject to corporate income tax in accordance with laws. Gains on price difference derived by mainland corporate investors through trading in shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are exempt from

business tax pursuant to current policies. Dividends derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are credited to their total income and subject to corporate income tax in accordance with laws. Among them, dividends derived by mainland resident enterprises for holding H shares up to 12 consecutive months are exempt from corporate income tax in accordance with laws. For dividends derived by mainland resident enterprises, there will be no withholding tax on dividends payable by H shares companies, and these enterprises are liable for tax reporting and payment. For the withholding tax on dividends payable by companies of non-H shares listed on the Hong Kong Stock Exchange, mainland corporate investors can apply for tax credit when reporting and paying corporate income tax.

Pursuant to the Shanghai-Hong Kong Stock Connect Tax Policy, mainland investors who deal with, inherit, and are bestowed upon with shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. China Securities Depository and Clearing Company Limited and HKSCC are authorized to levy stamp duties above on behalf of each other.

Tax Policies for Shenzhen-Hong Kong Stock Connect

On 25 November 2016, CSRC and SFC granted their approvals to Shenzhen Stock Exchange, the Hong Kong Stock Exchange, China Securities Depository and Clearing Company Limited and HKSCC for formal launch of the Shenzhen-Hong Kong Stock Connect. Trading in shares under the Shenzhen-Hong Kong Stock Connect kicked off on 5 December 2016. Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program:

From December 5, 2016 to December 4, 2019, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are temporarily exempt from individual income tax. Gains on price difference from transfer of shares derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are credited to their total income and subject to corporate income tax in accordance with laws. Dividends derived by mainland individual investors through investment into H shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to 20% of withholding individual income tax by H shares companies. Individual investors who have paid withholding taxes overseas, with effective taxation certificates, can apply to competent taxation authorities under China Securities Depository and Clearing Company Limited for tax credit. Dividends derived by mainland securities investment funds through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to individual income tax pursuant to provisions above.

Gains on dividends derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are credited to their total income and subject to corporate income tax in accordance with laws. Among them, dividends derived by mainland resident enterprises for holding H shares up to 12 consecutive months are exempt from corporate income tax in accordance with laws. For such dividends derived by

mainland enterprises, there will be no withholding tax on dividends payable by H shares companies, and these enterprises are liable for tax reporting and payment. For the withholding tax on dividends payable by companies of non-H shares listed on the Hong Kong Stock Exchange, mainland corporate investors can apply for tax credit when reporting and paying corporate income tax.

Mainland investors, who deal with, inherit, and are bestowed upon with shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to stamp duties in accordance with current taxation requirements in Hong Kong. China Securities Depository and Clearing Company Limited and HKSCC are authorized to levy stamp duties above on behalf of each other.

MAJOR TAXATION OF THE COMPANY IN THE PRC

Income Tax

According to the EIT Law, enterprises and other organizations generating income within the territory of the PRC are subject to enterprise income tax at the rate of 25%.

Levying Value-added Tax in lieu of Business Tax

According to the Provisional Regulations of the People's Republic of China on Business Tax (中華人民共和國營業税暫行條例) amended on November 10, 2008 and became effective on January 1, 2009, enterprises and individuals engaged in the provision of services as prescribed in these regulations, the transfer of intangible assets or the sales of immovable properties within the territory of the PRC are subject to business tax. The business tax rate applicable to financial and insurance companies is 5%.

Pursuant to the Plan for the Pilot Practice of Levying Value Added Tax in Lieu of Business Tax (《營業税改徵增值税試點方案》) promulgated by the MOF and the SAT and became effective on November 16, 2011, starting from January 1, 2012, the State started the taxation reform of levying value-added tax in lieu of business tax in certain regions (including Shanghai and Beijing) and in certain industries (including transportation and certain modern service industries) on a trial basis. Pursuant to the Notice of Comprehensive Roll-out of the Pilot Practice of Levying Value Added Tax in Lieu of Business Tax from the Ministry of Finance and the State Administration of Taxation (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) promulgated by the MOF and the SAT on March 23, 2016 and became effective on May 1, 2016, the aforesaid pilot practice for levying value-added tax in lieu of business tax have been implemented nationwide, and industries such as the financial industry have all been included into the pilot practice and paying value-added tax in lieu of business tax.

Pursuant to the Implementing Measures for the Pilot Practice of Levying of Value-Added Tax in Lieu of Business Tax (《營業税改徵增值税試點實施辦法》) promulgated by the MOF and the SAT on March 23, 2016 and became effective on May 1, 2016, enterprises and individuals engaged in sales of services, intangible assets or immovable properties shall be subject to valued-added tax in lieu of business tax based on the various types of business they conduct.

Pursuant to the Notice on Clarifying Value-added Tax Policies on Finance, Real Estate Development and Education Assisted Services (《關於明確金融、房地產開發、教育輔助服務等增值稅收政策的通知》) promulgated by the MOF and the SAT on December 21, 2016, taxpayer's purchasing various asset management products such as funds, trusts and wealth management products and holding them to maturity shall not be identified as the "transfer of financial products" stipulated in Cai Shui [2016] No. 36. For the value-added tax taxable transactions produced during the operation process of the asset management products, the manager of the asset management products shall be the taxpayer of the value-added tax. The aforementioned provisions came into effect on May 1, 2016.

According to the Supplemental Notice on Certain Issues in relation to Value-Added Tax Policies on Asset Management Products (《關於資管產品增值稅政策有關問題的補充通知》) promulgated by the MOF and the SAT on January 6, 2017, starting from July 1, 2017 (inclusive), for the value-added tax taxable transactions produced during the operation process of the asset management products, the manager of the asset management products shall be the taxpayer of the value-added tax and pay the value-added tax pursuant to the prevailing rules. For the value-added tax taxable transactions produced during the operation process of the asset management products before July 1, 2017, it is not required to pay the unpaid value-added tax; if the value-added taxes are paid, the paid taxes shall be deducted from the value-added tax to be paid by the manager of the asset management products afterwards.

HONG KONG

Tax on Dividends

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

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE CONTROL OF THE PRC

The lawful currency of the PRC is Renminbi, which is still subject to foreign exchange control and is not freely exchangeable. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Foreign Exchange Control Regulations which became effective from April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997, further amended on August 1, 2008, and became effective from August 5, 2008. The latest amended Foreign Exchange Control Regulations clarifies that the State does not impose restrictions on international payments and transfers under the current account items.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which became effective on July 1, 1996. The Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) abolished all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On July 21, 2005, the PBOC announced that, effective on the same date, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will publish the closing price of a foreign currency such as the US dollar traded against the Renminbi in the interbank foreign exchange market on each business day after the closing of the market, and will fix the central parity for the transaction of such foreign currency against Renminbi on the following trading day.

Since January 4, 2006, the PBOC improved the method of generating the central parity for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the interbank foreign exchange spot market. In addition, the liquidity of the foreign exchange market was also improved by adopting a market-making system in the interbank foreign exchange market.

On August 5, 2008, the State Council promulgated the amended Foreign Exchange Control Regulations, which provided that all foreign exchange income of current account items may be either retained or sold to financial institutions engaging in foreign exchange settlement or sales business; where any foreign exchange income of capital account items shall be retained or sold to financial institutions engaging in foreign exchange settlement and sales business, approval shall be obtained from the relevant foreign exchange administrative authority unless it is exempted under PRC laws. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without approval of the SAFE, effect payment from their foreign exchange accounts at designated foreign exchange banks with the support of valid receipts and proof.

The Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》), which was issued and became effective on October 23, 2014, has cancelled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Management of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, a domestic enterprise shall register its overseas listing with the local branch of the SAFE at the place of its incorporation within 15 working days after the completion of offering of shares for its overseas listing. The proceeds from overseas listing of a domestic enterprise may be remitted to the domestic account or deposited in an overseas account. The proceeds shall be used in accordance with the prospectus and other public disclosure documents.

On February 13, 2015, the SAFE issued the SAFE Notice, which came into effect on June 1, 2015. The SAFE Notice has cancelled the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and instead requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. The SAFE and

its branches implement indirect supervision over foreign exchange registration of direct investment via the banks. Furthermore, according to the SAFE Notice, new overseas enterprises established or controlled by overseas enterprises established or controlled by domestic investors through re-investment are not required to go through the foreign exchange filing procedures.

On June 15, 2016, the SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which stipulates that the foreign exchange capital in the capital account which has been confirmed by the relevant polices subject to the Discretional Foreign Exchange Settlement (including funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%, which can be adjusted by the SAFE, when due, based on international income and expense conditions.

REGULATORY ENVIRONMENT OF THE PRC

Overview

The Company is a securities company registered in China. All of our operations in China are subject to the applicable PRC laws, administrative regulations, departmental regulations and other regulatory documents which mainly aim to protect the interest of customers and investors of securities companies. We set out below the summary of principal laws and regulations applicable to our business, rather than a detailed description of all the laws and regulations with which our business needs to comply.

Major Regulatory Authorities and Relevant Organizations

The CSRC

The CSRC implements centralized and unified supervision and management over the securities and futures markets nationwide, maintains the order of the securities and futures markets, enacts and executes the relevant laws, regulations and standards to ensure their lawful operations. The main duties of the CSRC are as follows:

- to enact regulations and rules in relation to the supervision and management of the securities, securities investment funds and futures markets, and to exercise the rights of approval, verification or registration;

- to supervise and manage the issuance, listing, trading, registration, deposit and settlement of securities as well as the listing, trading, settlement and delivery of futures, the offer and investment of funds by public offering and related activities;

- to supervise and manage on the securities business activities of the securities issuers, listed companies, securities companies, securities investment fund management companies and other fund managers and custodians, securities service organizations, stock exchanges and securities registration and settlement organizations;

- to supervise and manage on futures business activities of market-related participants, including the futures exchanges, futures companies, other futures business institutions, non-futures companies clearing members, futures margin security depository monitoring institutions, futures margin depository banks, delivery warehouses, etc.;

- to enact qualification standards and practice codes for securities practitioners, funds practitioners and futures practitioners, and to supervise their implementation;

- to supervise and inspect the information disclosure relating to the issuance, listing and trading of securities, the information disclosure of funds, and the information disclosure of futures trading; to guide and supervise the activities of institutions such as the SAC, the Asset Management Association of China and the China Futures Association;

- to conduct investigation and impose punishment on the activities in violation of laws and administrative regulations in relation to the supervision and management of the securities, funds and futures markets;

- the performance of other duties stipulated by laws and administrative regulations.

Stock Exchange

A stock exchange is a non-profit self-regulatory legal entity which provides venues and facilities for centralized trading of securities and organizes and supervises trading of securities.

Futures Exchange

A futures exchange is a non-profit legal entity which provides venues and facilities for centralized trading of futures, organizes and supervises trading of futures, and exercises self-regulatory management according to its articles of association and trading rules.

The SAC

The SAC is a self-regulatory organization of the securities industry. It is a non-profit social organization with legal person status, subject to the guidance and supervision of the CSRC. The SAC regulates the securities industry through its general assembly of members consisting of securities companies and other members. A securities company shall join the SAC. The main duties of the SAC include enactment of the rules to abide by its members, and supervision and inspection of the conducts of its members.

The Asset Management Association of China

The Asset Management Association of China (the "AMAC") is a self-regulatory organization of the securities investment fund industry and a non-profit social organization with legal person status. Fund managers and fund custodians shall join the AMAC. The main duties of the AMAC include enactment and implementation of self-regulatory rules, and supervision and inspection of the practices of its members and practitioners.

The China Futures Association

The China Futures Association (the "CFA") is a self-regulatory organization of the futures industry and a non-profit social organization with legal person status. The CFA is subject to the guidance and supervision of the CSRC. Futures companies and the other institutions engaged in futures trading shall join the CFA. The main duties of the CFA include the enactment of self-regulatory rules for the futures industry to abide by its members and supervision and inspection of the conducts of its members.

Other Organizations

Other organizations relevant to the Company's business and operating activities primarily include the PBOC, the SAFE, China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司), China Securities Investor Protection Fund Corporation Limited (中國證券投資者保護基金有限責任公司), China Futures Market Monitoring Center Co., Ltd. (中國期貨市場監控中心有限責任公司), China Securities Finance, National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) and National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司).

Industry Entry

Industry Entry Requirements for Securities Companies

1. Establishment

The Securities Law, (amended and came into effect on August 31, 2014, and the Regulations on Supervision and Administration of Securities Companies (證券公司監督管理條例), amended and came into effect on July 29, 2014, stipulate the authorized scope of business of securities companies and establish the standards required for entry into the industry and other requirements. The establishment of a securities company must be approved by the CSRC, and the business license must be obtained subject to fulfillment of the relevant conditions, such conditions primarily include: the articles of association of the company shall comply with the relevant requirements, substantial shareholders shall possess the relevant qualifications, registered capital shall meet the statutory requirements, directors, supervisors, senior management officers and practitioners shall possess eligible qualifications, sound risk management and internal control systems are in place, the company shall have qualified operation premises and business facilities.

Judging Criteria and Guidelines on Controlling Relationships of Securities Companies (關於證券公司控制關係的認定標準及相關指導意見) which came into effect in March 2008 stipulated that the same entity or individual, or a number of entities or individuals under *de facto* control by the same entity or individual, shall not invest in more than two securities companies, and shall not control more than one securities company.

The Rules for Establishment of Foreign-invested Securities Companies (外資參股證券公司設立規則) amended and came into effect on October 11, 2012, clearly set out the conditions and procedures for the establishment of a foreign-invested securities company. Unless with the consent of the PRC Government, a foreign-invested securities company shall meet the following conditions: the aggregate (including direct holding and indirect control) shareholdings of foreign shareholders or their interests in a foreign-invested securities company shall not exceed 49%; for foreign investors who lawfully hold 5% or more of the shares in a listed domestically-funded securities company through securities trading on a stock exchange or who jointly hold more than 5% of the shares of a listed domestically-funded securities company with others by agreement and other arrangements, approval from the CSRC must be obtained, and the relevant conditions for foreign shareholders of foreign-invested securities companies must be satisfied; the shareholdings held (including direct holding and indirect control) by a single foreign-investor in a listed domestically-funded securities company shall not exceed 20%; and the shareholdings held (including direct holding and indirect control) by all foreign investors in a listed domestically-funded securities company shall not exceed 25%.

According to Guideline No. 10 on Administrative Approval for Securities Companies — Increase and Change in Equity Interest of Securities Companies (證券公司行政許可審核工作指引第10號 — 證券公司增資擴股和股權變更), which came into effect on August 27, 2015, if an enterprise directly or indirectly owned by a foreign investor invests in a securities company, the indirect equity interest of the foreign investor in the securities company as calculated based on equity penetration shall not be more than 5%, subject to certain exceptions. Meanwhile, this Guideline further stipulates the qualifications and requirements of shareholders who hold more than 5% equity interest in a securities company, the qualifications and requirements of shareholders who acquire a stake and the shareholding period.

2. Business Scope

According to the Securities Law, upon approval by the CSRC, a securities company may engage in some or all of the following businesses: securities brokerage, securities investment consulting, financial advisory business in relation to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary securities trading, securities asset management, and other securities businesses.

According to the Interim Provisions on the Review and Approval of Business Scope of Securities Companies (證券公司業務範圍審批暫行規定) which came into effect on December 1, 2008, securities companies controlled by the same entity or individual or securities companies with existing control relationship between each other shall not operate the same business except in cases where the relevant companies have adopted effective measures to clearly differentiate the operating regions or the target customer groups, and no competitive relationship exists between them. Upon the establishment of a securities company, the CSRC shall approve its scope of business in accordance with the legal requirements. For newly established companies, the approved businesses shall not exceed 4 types unless stipulated otherwise by the CSRC. Any change in the scope of business of a securities company shall obtain approval from the CSRC. A change in the scope of business may involve an increase or a decrease in the categories of businesses. A securities company shall not increase its businesses by

more than 2 categories in one application. Subject to the approval by the CSRC, a securities company may engage in businesses not clearly stated in the Securities Law, the Regulations on Supervision and Administration of Securities Companies (證券公司監督管理條例) and the rules and regulatory documents of the CSRC.

3. Material Changes

According to the Securities Law, approval from the CSRC shall be obtained for the following material changes of a securities company: the establishment, acquisition or de-registration of a branch; change in the scope of business; increase in registered capital and material adjustment to the equity structure; decrease in registered capital; change of any shareholder holding more than 5% of equity interest and *de facto* controller; change in important articles of the articles of association of the company; any merger, division, cessation, dissolution and bankruptcy; the establishment, acquisition of or investment in securities operation institutions in overseas jurisdictions by the securities company.

According to the Regulations on Supervision and Administration of Securities Companies (證券公司監督管理條例), any entity or individual holding or actually controlling more than 5% equity interest in a securities company without approval shall be ordered by the securities regulatory authority of the State Council for rectification within a prescribed period. Before the rectification, such equity interest shall not carry voting rights.

The CSRC has gradually authorized its local branches to review and approve certain applications for material changes by securities companies. According to the Decision on Authorization of Local Branches to Review and Approve Items Requiring Administrative Approval of Certain Securities Institutions (關於授權派出機構審核部分證券機構行政許可事項的決定), which came into effect on March 1, 2011, and the Decision of the State Council in Relation to the Cancellation and Adjustment of the Sixth Group of Items Requiring Administrative Approval (國務院關於第六批取消和調整行政審批項目的決定) which came into effect on September 23, 2012, the local branches of the CSRC are formally authorized to review and approve the following material changes of securities companies: change of important articles of the articles of association; establishment, acquisition or de-registration of a branch; approval for some items regarding the change of registered capital of a securities company: increase in capital of unlisted securities companies which involves review of qualification of shareholders or the de facto controller, increase in capital of unlisted securities companies which involves the change of de facto controller, controlling shareholder or the largest shareholder of a securities company, approval for reduction in capital of an unlisted securities company; a change of shareholders with more than 5% of shareholdings and de facto controller of an unlisted securities company; and addition or reduction of the business of securities brokerage, securities investment consulting, financial advisory business in relation to securities trading and securities investment, proprietary securities trading, securities asset management and securities underwriting.

4. Establishment of Subsidiaries and Branches

According to the Provisional Regulatory Requirements on Establishment of Subsidiaries of Securities Companies (證券公司設立子公司試行規定) amended and came into effect on October 11, 2012, subject to the approval of the CSRC, securities companies may establish wholly-owned subsidiaries and may also invest jointly in the establishment of subsidiaries with other investors who meet the required conditions for shareholders of securities companies stipulated in the Securities Law. However, operation of similar businesses that involve conflicts of interest or competition is not permitted for a securities company and its subsidiaries, or for subsidiaries that are under common control of the same securities company. A subsidiary shall not directly or indirectly hold equity interest or shares of its controlling shareholder, or of other subsidiaries under the common control of the same securities company, or invest by other means in its controlling shareholder or other subsidiaries under the common control of the same securities company. A subsidiary referred to in such requirements shall mean a securities company established in accordance with the Company Law and the Securities Law and controlled by a securities company, and engage in one or more securities businesses approved by the CSRC. A securities company which establishes a subsidiary shall comply with the prudence requirements under the Provisional Regulatory Requirements on Establishment of Subsidiaries of Securities Companies (證券公司設立子公司試行規定). If a securities company acquires controlling interest in other securities company through the establishment, transfer or subscription of equity interest shall meet the relevant requirements within 5 years from the date of acquiring the controlling interest.

According to the Regulatory Requirements on Branches of Securities Companies (證券公司分支機構監管規定) which came into effect on March 15, 2013, branches of a securities company shall refer to the branch offices and securities branches established by the securities company in the PRC for business operation. Establishment and acquisition of branches by a securities company shall fulfill the relevant conditions, and approval from the securities regulatory bureaus authorized by the CSRC must be obtained for the establishment, acquisition or de-registration of branches by a securities company.

Industry Entry Requirements for Futures Companies

1. Establishment

The establishment of a futures company requires approval from the CSRC. The Regulations on the Administration of Futures Trading (期貨交易管理條例) and the Measures for the Supervision and Administration of Futures Companies (期貨公司監督管理辦法), which came into effect on October 29, 2014, have stipulated the requirements for the establishment of a futures company, which primarily include: the minimum requirement of registered capital, directors, supervisors, senior management and practitioners shall be qualified for their positions, the articles of association of the company shall comply with the relevant requirements, major shareholders and the de facto controller shall have sustained profitability, operating premises and business facilities shall comply with regulations; the risk management and internal control systems are sound.

According to the Provisions on Issues Relating to the Regulation of Controlling Interests and Equity Interests in Futures Companies (關於規範控股、參股期貨公司有關問題的規定) which came into effect on June 1, 2008, an entity shall not hold controlling interest and equity interest in more than two futures companies and shall not hold controlling interest in more than one futures company.

According to the State Council's Decision on the Cancellation and Adjustment of a Series of Items Requiring Administrative Approval (國務院關於取消和調整一批行政審批項目等事項的決定) which came into effect on February 24, 2015, the CSRC has changed the requirement for the establishment of a futures company from pre-approval to post-approval.

2. Material Changes

Pursuant to the Measures for the Supervision and Administration of Futures Companies (期貨公司監督管理辦法), approval from the CSRC shall be obtained for change of shareholdings in a futures company in any of the circumstances below: change of controlling shareholder or the largest shareholder; percentage of the shareholding of an individual shareholder or related shareholder increases to 100%; or percentage of shareholding of an individual shareholder or percentage of the aggregate shareholdings of related shareholders, increases to more than 5% and involves foreign shareholder(s). In addition, in case of an increase in the percentage of shareholding of an individual shareholder or an increase in the percentage of the aggregate shareholdings of related shareholders in a futures company to more than 5%, approval shall be obtained from the local branch of the CSRC at the place of domicile of the futures company. Pursuant to the Decision of the State Council in Relation to the Cancellation and Adjustment of the Sixth Group of Items Requiring Administrative Approval (國務院關於第六批取消和調整行政審批項目的決定), a change of more than 5% in the shareholding of a futures company which does not involve the addition of a new shareholder holding an equity interest of more than 5% and the largest shareholder remains unchanged, approval for such a change is no longer required.

3. Establishment of Subsidiaries and Branches

The Measures for the Supervision and Administration of Futures Companies (期貨公司監督管理辦法) stipulated that a futures company shall satisfy the relevant requirements in order to make an application to establish branches such as sales branches and branch offices, such requirements primarily include sound corporate governance, compliance of the risk regulatory indicators, compliance with the relevant requirements by the internal system, compliance with laws and regulations by operating activities, compliance with the relevant requirements by the plan for establishment of branches. According to the State Council's Decision on the Cancellation and Adjustment of a Series of Items Requiring Administrative Approval (國務院關於取消和調整一批行政審批項目等事項的決定) which came into effect on October 23, 2014, the administrative approval requirement for the establishment of domestic branches by futures companies was cancelled by the local branch of the CSRC.

Industry Entry Requirements for Fund Management Companies

1. Establishment

The establishment of a fund management company requires the approval of the CSRC. The Administrative Measures on Securities Investment Fund Management Companies (證券投資基金管理公司管理辦法) which came into effect on November 1, 2012 stipulated the conditions which shall be fulfilled for the establishment of a fund management company. The relevant conditions primarily relate to shareholders qualifications, corporate organization documents, registered capital, senior

management officers and practitioners, operation premises and the implementation and corporate organization structure, and internal control systems, etc.

According to the Administrative Measures on Securities Investment Fund Management Companies (證券投資基金管理公司管理辦法), for a sino-foreign joint venture fund management company, the domestic shareholder with the largest shareholding percentage shall meet the following conditions: for engagement in securities operations, securities investment consulting, trust asset management or other financial asset management business, the registered capital shall not be less than RMB300 million, together with good operating results and sound asset quality; other domestic shareholders with more than 5% in shareholding shall also meet the relevant conditions. Meanwhile, the foreign shareholder of a sino-foreign joint venture fund management company shall meet the following conditions: it shall be a financial institution established in accordance with the laws of the country or region where it is located, it shall be in legal subsistence and possess management experience in financial assets, with solid financial strength, good creditworthiness and was not subject to punishment by the regulatory or judicial authorities within the last 3 years; comprehensive securities laws and regulatory regimes are in place in the country or region where it operates, and the securities regulatory authority thereof has signed the memorandum of understanding on securities regulatory cooperation with the CSRC or other institutions authorized by the CSRC, and has maintained an effective regulatory cooperative relationship; its paid-up capital shall not be less than RMB300 million or in equivalent freely convertible currencies; and it shall meet all other requirements of the CSRC as approved by the State Council.

The requirements in the preceding paragraph are applicable to investment institutions in Hong Kong, Macau and Taiwan.

The percentage of shareholding of shareholders in a fund management company shall comply with the requirements of the CSRC. The percentage of shareholding or equity interest held by foreign partners in a sino-foreign joint venture fund management company in aggregate (including direct and indirect shareholdings) shall not exceed the commitment made in the opening-up policy of the securities industry in China (that is, the percentage of foreign investment shall not exceed 49%).

According to the State Council's Decision on the Cancellation and Adjustment of a Series of Items Requiring Administrative Approval (國務院關於取消和調整一批行政審批項目等事項的決定), which was promulgated and came into effect on February 24, 2015, the CSRC has changed the requirement for the establishment of a fund management company for mutual funds from pre-approval to post-approval.

2. Material changes

According to the Administrative Measures on Securities Investment Fund Management Companies (證券投資基金管理公司管理辦法), fund management companies shall obtain the approval of the CSRC in the event of any of the following significant changes: change of shareholders who hold more than 5% of the company's shares; change of shareholders whose shareholding is less than 5% but who have significant influence on corporate governance; the shareholding percentage of the changed shareholders exceeds 5%; amendments to important provisions of the articles of association; and other significant matters stipulated by the CSRC.

3. Establishment of subsidiaries

In accordance with the Administrative Measures on Securities Investment Fund Management Companies (證券投資基金管理公司管理辦法) and the Interim Provisions on Administration of Subsidiaries of Fund Management Companies (基金管理公司子公司管理暫行規定) which came into effect on December 15, 2016, a fund management company shall, subject to satisfaction of relevant requirements, apply to the CSRC for the establishment of subsidiaries.

Industry Entry Requirements for Securities Asset Management Companies

1. Establishment

Securities companies can establish business departments or subsidiaries to engage in securities asset management business.

Pursuant to the Provisions for Trial Implementation on Establishing Subsidiary Companies by Securities Companies (《證券公司設立子公司試行規定》), if a securities company has set up a subsidiary company to operate securities asset management business, apart from fulfilling the general requirements for setting up a subsidiary company, the market share of the securities company has been at the intermediary level in the last year.

2. Business Scope

According to the Administrative Measures on Client Asset Management of Securities Companies (證券公司客戶資產管理業務管理辦法) (amended and came into effect on June 26, 2013) and the Provisions for Trial Implementation on Establishing Subsidiary Companies by Securities Companies (《證券公司設立子公司試行規定》), a securities company or a securities asset management subsidiary established by it may engage in the following client asset management business: providing targeted asset management business for individual customers, providing collective asset management business for a number of customers, and providing special asset management business for customers with specific objectives.

Industry Entry Requirements for Direct Investment Companies

1. Establishment

The Management Rules for the Private Investment Funds Subsidiaries under Securities Companies (《證券公司私募投資基金子公司管理規範》) and the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) were issued by the SAC on December 30, 2016, and the former Rules for the Direct Investment Business of Securities Companies was abolished on the same day. The former Rules for the Direct Investment Business of Securities Companies provided that a securities company shall establish its direct investment business subsidiary in order to conduct direct investment business and the securities company shall not conduct direct investment business in other forms. However, according to the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies and the Management Rules for the Alternative Investment Subsidiaries under Securities Companies, a

securities company shall establish its private investment funds subsidiary in order to conduct private investment business and the securities company shall conduct alternative investment business such as financial products and equities other than those stated in the List of Securities Investment Products for the Proprietary Trading of Securities Companies which was amended and came into effect on November 16, 2012.

The Management Rules for the Private Investment Funds Subsidiaries under Securities Companies stipulate the conditions required to be satisfied for the establishment of private investment funds subsidiaries. The major conditions include sound corporate governance structure, sound and effective internal control system, risk management system and compliance management system, satisfactory risk control indicators, no major non-compliances and that the provisions of the approved Articles of Association clearly provide that the company may establish private investment funds subsidiaries, etc. Furthermore, securities companies should establish their wholly-owned private investment funds subsidiaries out of their own fund and shall not be allowed to establish private investment funds subsidiaries through joint ventures with other investors in disguised forms such as shareholding entrustment. In principle, each securities company may establish not more than one private investment funds subsidiary. Securities companies and their private investment funds subsidiaries are required to satisfy those requirements of the rules within twelve months since the date of issuing the rules. If the direct investment subsidiaries established by the securities companies before issuing the rules conducted direct equity investments out of their own fund or the established funds management body and funds cannot meet the relevant requirements, no new businesses are allowed and the existing businesses may continue until their expiry, but are not allowed to be open for purchase or absorb additional funds and shall not be renewed.

The Management Rules for the Alternative Investment Subsidiaries under Securities Companies stipulate the conditions required to be satisfied for the establishment of alternative investment subsidiaries. The major conditions include sound corporate governance structure, sound and effective internal control system, risk management system and compliance management system, approved qualification of proprietary securities trading business, satisfactory risk control indicators, no major non-compliances and that the provisions of the approved Articles of Association clearly provide that the company may establish alternative investment subsidiaries, etc. Furthermore, securities companies should establish their wholly-owned alternative investment subsidiaries out of their own fund and shall not be allowed to establish alternative investment subsidiaries through joint ventures with other investors in disguised forms such as shareholding entrustment. In principle, each securities company may establish not more than one alternative investment subsidiary. Securities companies and their alternative investment subsidiaries are required to satisfy those requirements of the rules within twelve months since the date of issuing the rules. For those that had raised funds from investors to conduct private funds business before the promulgation and implementation of the rules, no new businesses are allowed and the existing businesses may continue until their expiry, but are not allowed to be open for purchase or absorb additional funds and shall not be renewed.

2. Business Scope

According to the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies, private investment fund subsidiaries are not allowed to engage in private investment fund unrelated business. Private investment fund subsidiaries engaged in private

investment fund business can manage idle fund with the purpose of cash management, while endeavor to keeping efficient risk control and liquidity, and only invest to low risk and strong liquidity securities, i.e. legitimately and publicly issued treasury bonds, central bank bills, short-term financing bonds, investment grade corporate bond, money market funds and bank wealth management guaranteed product.

According to the Management Rules for the Alternative Investment Subsidiaries under Securities Companies, alternative investment subsidiaries shall engage in alternative investment business of financial products and equities that are not listed on the List of Securities Investment Products for the Proprietary Trading of Securities Companies. Alternative investment subsidiaries shall not engage in business other than investment business.

Corporate Governance and Risk Control

Corporate Governance and Risk Control of Securities Companies

1. Corporate Governance

The corporate governance of securities companies is regulated by the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies (證券公司監督管理條例), the Rules for Governance of Securities Companies (證券公司治理準則) amended and came into effect on January 1, 2013, the Guidance for the Internal Control of Securities Companies (證券公司內部控制指引), and other PRC laws, regulations and regulatory documents.

Securities companies shall establish a sound corporate governance structure. The governance structure of a securities company shall include a scientific decision-making process and rules of procedures, an efficient and strict business operation system, a sound and effective internal control and feedback system, and an effective incentive and binding mechanism. The supervisory committee and independent directors of a securities company shall fully exercise their supervision responsibilities and prevent the risk of manipulation by substantial shareholders and control by insiders. The establishment of departments and positions of a securities company shall have clear delineation of powers and duties with check and balance, and appropriate segregation between frontline business operation and back office management support is required. A sound Chinese wall system shall be established among major business departments of a securities company to ensure the relative independence among brokerage, proprietary trading, entrusted investment management, investment banking, research and consultancy businesses.

For securities companies engaging in more than two businesses among securities brokerage, asset management, margin financing and securities lending, securities underwriting and sponsorship, a remuneration and nomination committee, an audit committee and a risk control committee shall be established by the board of directors, and the persons in charge of the remuneration and nomination committee and the audit committee shall be independent directors. If a securities company sets up a body to exercise its operation and management powers, the name, composition, duties and responsibilities, and rules of procedures of such body shall be defined in the articles of association of the securities company, and the members of the body shall be the senior management of the securities company.

The Regulatory Measures on Qualifications of Directors, Supervisors and Senior Management of Securities Companies (證券公司董事、監事和高級管理人員任職資格監管辦法) amended and came into effect on October 19, 2012, provided further requirements on the qualifications of directors, supervisors and senior management officers. Directors, supervisors and senior management officers of securities companies shall obtain the appointment qualifications approved by the CSRC's local branches before taking office.

2. Risk Control

The Securities Law stipulates the requirements for the risk control system of securities companies, which mainly include: contributing a certain percentage of their post-tax profits to a trading risk reserve to cover the loss of securities trading, establishing and enhancing its internal control systems and adopting effective segregation measures to prevent conflict of interest between the company and its clients and among different clients.

Pursuant to the Administrative Measures on Risk Control Indicators of Securities Companies (證券公司風險控制指標管理辦法), amended on June 16, 2016 and came into effect on October 1, 2016, a securities company shall calculate the capital reserves for market risk, credit risk and operation risk according to the basis of calculation for risk capital reserves of securities companies as required by the CSRC, calculate the net capital according to the basis of calculation for net capital of securities companies as required by the CSRC, and submit a monthly report on supervision of risk control indicators to the CSRC and its local branches within 7 business days from the end of each month.

The Provisions on the Basis of Calculation for Risk Capital Reserves of Securities Companies (關於證券公司風險資本準備計算標準的規定), amended and came into effect on November 16, 2012, provided the basis of calculation for major risk capital reserves of securities companies.

Pursuant to the Norms for the Comprehensive Risk Management of Securities Companies (證券公司全面風險管理規範), amended and came into effect on December 30, 2016, securities companies shall implement all-rounded risk management to avoid various types of risks arising from business operation, such as liquidity risk, market risk, credit risk, operating risk and reputation risk, and shall establish and improve an all-rounded risk management system consistent with their respective development strategies, including a practicable management regime, a sound organization structure, a reliable information technology system, a quantitative risk indication system, a team of professionals and an effective risk response mechanism. Securities companies should cultivate a healthy risk culture at the company level, build the risk management philosophies, value standards and work ethic that are appropriate for the company and establish training, communication and supervision systems. In addition, securities companies should bring all of their subsidiaries and different sub-subsidiaries which are comparable with the management of subsidiaries into the comprehensive risk management system, enhance the risk management of branches and achieve overall coverage of risk management.

Pursuant to the Guidelines for the Liquidity Risk Management of Securities Companies (證券公司流動性風險管理指引) which came into effect on March 1, 2014, securities companies shall strengthen liquidity risk management and establish a sound liquidity risk management system for effective identification, measurement, monitoring and control of liquidity risk, to ensure its liquidity requirements could be satisfied timely at reasonable costs.

3. Classified Regulation

Pursuant to the Regulations on Classification and Supervision of Securities Companies (證券公司分類監管規定) which came into effect on May 14, 2010, the CSRC classifies the securities companies into eleven grades under five main classes from high to low levels, including class A (AAA, AA, A), class B (BBB, BB, B), class C (CCC, CC, C), class D and class E, based on the risk control capability, competitiveness and continuous compliance of securities companies. According to the market development conditions and the principles of prudent regulation, and based on the opinions sought from industry participants, the CSRC has formulated and timely adjusted the appraisal benchmarks and standards for securities companies. The classification of securities companies is implemented by the CSRC and its delegated local branches, appraisals are conducted on an annual basis and the appraisal period starts on May 1 of the previous year and ends on April 30 of the current year. According to the principles of classified regulation, the CSRC prescribes different standards for risk control indicators and percentages for calculation of risk capital reserves for different classes of securities companies, and differentiation in treatment will be applied to such companies in the aspects of allocation of regulatory resources, and frequency of on-site and off-site inspections and so on.

Corporate Governance and Risk Control of Futures Companies

1. Corporate Governance

Pursuant to the Supervisory and Administrative Measures on Futures Companies (期貨公司監督管理辦法), the CSRC implements a qualification management system for directors, supervisors, senior management officers and other futures practitioners of futures companies and other futures operating institutions. The business, personnel, assets, finance and place of business of a futures company shall be strictly separated from those of its controlling shareholders, and shall be independently operated and audited.

The Administrative Measures on Qualifications of Directors, Supervisors and Senior Management of Futures Companies (期貨公司董事、監事和高級管理人員任職資格管理辦法), which came into effect on July 4, 2007, requires the implementation of a qualification management system on the directors, supervisors and senior management officers of futures companies. The measures set out specific requirements on the qualifications for appointment to the above positions, application and approval of appointment qualifications, code of conduct, supervision and administration and other aspects. The State Council's Decision on the Cancellation and Adjustment of a Series of Items Requiring Administrative Approval (國務院關於取消和調整一批行政審批項目等事項的決定) (Guo Fa [2015] No. 11), which came into effect on February 24, 2015, has cancelled the approval requirement for appointment qualification of directors, supervisors and senior management officers of futures companies, and the CSRC Announcement [2015] No. 11 has already changed such administrative permission to post-event reporting management.

2. Risk Control

According to the requirements of the Measures for the Supervision and Administration of Futures Companies (期貨公司監督管理辦法), the Regulations on the Administration of Futures Trading (期貨交易管理條例) and the Administrative Measures on Risk Regulatory Indicators of Futures Companies

(期貨公司風險監管指標管理辦法), amended on February 21, 2013 and came into effect on July 1, 2013, a futures company engaging in futures brokerage business and other futures business at the same time shall strictly implement systems for separation of business and capital, and shall be prohibited from mixed operations. The CSRC formulates regulations on the risk regulatory indicators such as the ratio of net capital to net assets, the ratio of net capital to the business scale of domestic futures brokerage and overseas futures brokerage, and the ratio of current assets to current liabilities of futures companies. The CSRC also sets out requirements on the operating conditions, risk management, internal controls, custody of margin deposits and related party transactions of futures companies and their branches. Futures companies shall establish and strictly implement their business management rules and risk management systems and comply with the information disclosure system to ensure the safe custody of clients' margins.

3. Classified Regulation

Pursuant to the Regulations on Classification and Supervision of Futures Companies (期貨公司分類監管規定) which came into effect on April 12, 2011, the CSRC classifies the futures companies into eleven grades under five main classes from high to low levels, including class A (AAA, AA, A), class B (BBB, BB, B), class C (CCC, CC, C), class D and class E, based on prudent supervision requirements, and the risk management capability, competitiveness and continuous compliance of the futures companies. According to the principles of classified regulation, the CSRC prescribes different contribution ratios to the Futures Investor Protection Fund for different classes of futures companies, and differentiation in treatment will be applied in the aspects of allocation of regulatory resources, and frequency of on-site and off-site inspections and so on.

Corporate Governance and Risk Control of Fund Management Companies

1. Corporate Governance

The corporate governance of fund management companies is governed by the Law of Securities Investment Funds (證券投資基金法), the Administrative Measures on Securities Investment Fund Management Companies (證券投資基金管理公司管理辦法) and the Securities Investment Fund Management Company Governance Guidelines (Trial Implementation) (證券投資基金管理公司治理準則(試行)) which came into effect on June 15, 2006, as well as other relevant regulations and regulatory documents. A securities investment fund management company shall establish and organize a governance framework with sound structure, clear delineation of duties and responsibilities, effective check and balance and supervision, and reasonable incentives and constraints, in accordance with the relevant laws, administrative regulations and requirements of the CSRC, to maintain regulated operation of the company and protect the interest of fund unit holder. Corporate governance shall conform to the basic principles of conferring priority to the interest of fund unit holder.

A fund management company shall establish among its shareholders a segregation system for key information on business and clients. Shareholders of a fund management company and their de facto controllers shall exercise their rights in accordance with laws through the general meetings and shall not bypass the general meetings and the board of directors to appoint or remove directors, supervisors, senior management officers of fund management company, or directly interfere with the operational

management, investment and operation of fund assets of the fund management company. Furthermore they shall not request the fund management company to collaborate with them in business activities, such as underwriting of securities and securities investment, which may derogate the legitimate interest of fund holders and other parties.

The Administrative Measures on the Employment of Senior Management Personnel of the Securities Investment Fund Industry (證券投資基金行業高級管理人員任職管理辦法), which came into effect on October 1, 2004, regulate the management system of qualifications with regard to directors, supervisors, general managers, deputy general managers and inspector generals and other senior management personnel of fund management companies, and specify the qualification requirements, application and approval of appointment qualifications, code of conduct, supervision and management for such persons, etc.

2. Risk Control

Pursuant to the Administrative Measures on Securities Investment Fund Management Companies (證券投資基金管理公司管理辦法), the CSRC may establish a risk control indicator monitoring system and a comprehensive regulatory evaluation system for fund management companies. Where the relevant indicators of a fund management company do not comply with the requirements, the CSRC may order the fund management company to rectify within a stipulated period, and may adopt administrative regulatory measures such as requiring the company to increase registered capital, raising the percentage for provision of risk reserves, and suspending part or all of its business operations, etc.

Pursuant to the Law of Securities Investment Funds (證券投資基金法) and the Administrative Measures on Operations of Public Offering of Securities Investment Funds (公開募集證券投資基金運作管理辦法) which came into effect on August 8, 2014, fund managers applying fund assets to investments shall comply with the required investment ratios as prescribed by laws and regulations.

Pursuant to the Guiding Opinions on the Fair Trading System of Securities Investment Fund Management Companies (證券投資基金管理公司公平交易制度指導意見) which came into effect on August 3, 2011, a company shall fairly treat different portfolios during its investment management activities and shall be prohibited from passing benefits between different portfolios. The company shall segregate investment management function from trading execution function, implement a centralized trading system, establish and improve a fair trading distribution system to ensure fair trading execution opportunities for all portfolios.

Pursuant to the Provisional Measures on Supervision and Administration of Risk Reserve of Public Offering of Securities Investment Funds (公開募集證券投資基金風險準備金監督管理暫行辦法) which came into effect on January 1, 2014, fund managers shall establish systems for risk reserve management, formulate procedures for the withdrawal, transfer, investment management, application and payment of risk reserves, and keep records for future reference.

Corporate Governance and Risk Control of Securities Asset Management Companies

1. Corporate Governance

According to the Regulations on Supervision and Administration of Securities Companies (證券公司監督管理條例), for securities companies engaging in more than two businesses among securities

brokerage, securities asset management, margin financing and securities lending, securities underwriting and sponsorship, a remuneration and nomination committee, an audit committee and a risk control committee shall be established by the board of directors to exercise the powers stipulated in the articles of association. The persons in charge of the remuneration and nomination committee and the audit committee shall be independent directors.

2. Risk Control

According to the Administrative Measures on Client Asset Management of Securities Companies (證券公司客戶資產管理業務管理辦法), securities companies engaging in the client asset management business shall have sufficient understanding of clients, classify clients into various categories, comply with the risk matching principles, recommend suitable products and services to clients, and shall not mislead clients to purchase products or services inconsistent with their risk tolerance levels. They shall implement centralized operation and management, and shall enter into standardized asset management agreements. In addition, securities companies engaging in client asset management business shall also establish and enhance the risk control system and compliance management system, adopt effective measures to segregate the client asset management business from other businesses of the company, control inappropriate flow and usage of sensitive information, prevent insider dealing and conflict of interest.

Corporate Governance and Risk Control of Direct Investment Companies

1. Corporate Governance

According to the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies, a practitioner in a securities company and other subsidiaries who has a conflict of interest with private investment funds subsidiaries shall not serve concurrently as director, supervisor, senior management member or member of investment-decision making body of the private investment funds subsidiaries, the special purpose vehicles established thereunder and the private investment funds; for other practitioners who hold the above positions concurrently, securities companies shall establish strict and effective internal control mechanisms to prevent potential conflict of interest and moral hazard. A practitioner in a securities company shall not concurrently hold positions other than those stated in the abovementioned provisions in private investment funds subsidiaries, the special purpose vehicles established thereunder and the private investment funds, or unlawfully engage in private investment funds business. Effective information segregation mechanisms shall be established among securities companies, private investment funds subsidiaries, private investment funds and other subsidiaries of the securities companies to enhance the segregation, supervision and management of sensitive information so as to prevent inappropriate flow and usage of sensitive information in various businesses, as well as prevent the risks of insider dealing and passing of benefits. Moreover, the investment banking business and the private investment funds business shall not be under the concurrent management of the same senior management member in a securities company; the private investment funds business and other private investment funds business shall not be under the concurrent management of the same senior management member in a private investment funds subsidiary; the same practitioner shall not serve concurrently as the person in charge of the above two businesses; and the same investment management team shall not engage in the above two businesses concurrently.

According to the Management Rules for the Alternative Investment Subsidiaries under Securities Companies, a practitioner in a securities company or other subsidiaries who has a conflict of interest with alternative investment subsidiaries shall not serve concurrently as director, supervisor, senior management member or member of investment-decision making body of the alternative investment subsidiaries; for other practitioners who hold the above positions concurrently, securities companies shall establish strict and effective internal control mechanisms to prevent potential conflict of interest and moral hazard. A practitioner in a securities company shall not concurrently hold positions other than those stated in the abovementioned provisions in alternative investment subsidiaries. Effective information segregation mechanisms shall be established between securities companies and alternative investment subsidiaries and other subsidiaries to enhance the segregation, supervision and management of sensitive information so as to prevent inappropriate flow and usage of sensitive information in various businesses, as well as prevent the risks of insider dealing and passing of benefits. Moreover, the investment banking business and the alternative investment business shall not be under the concurrent management of the same senior management member in a securities company; the equity investment business and listed securities investment business shall not be under the concurrent management of the same senior management member in an alternative investment subsidiary; the same practitioner shall not serve concurrently as the person in charge of the above two businesses; and the same investment management team shall not engage in the above two businesses concurrently.

2. Risk Control

According to the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies, a securities company should bring the compliance and risk management of private investment funds subsidiaries into its comprehensive risk management system to prevent various risks including compliance risk, liquidity risk, market risk, credit risk and operational risk of related businesses of the private investment funds subsidiaries. A private investment funds subsidiary and its special purpose vehicles established thereunder shall not provide guarantees and loans to external parties, and shall not become capital contributors who bear joint and several liabilities for the debts of the enterprises they have invested in.

According to the Management Rules for the Alternative Investment Subsidiaries under Securities Companies, having carefully considered its solvency and liquidity requirement, based on business features, capital structure, liabilities matching management requirement and pursuant to relevant regulatory requirements, an alternative investment subsidiary should reasonably utilize its funds, diversify its asset deployment and scatter its investment risks. Besides, an alternative investment subsidiary should establish investment management system, set up a specific investment decision-making body and specify investment decision making authorities and procedures; create a sound organizational structure and clearly define the responsibilities and functions of each body; improve business procedures covering investment feasibility research, investment establishment, due diligence and post-investment management to effectively prevent investment risks. Alternative investment subsidiaries shall not take fund-raising activities or provide guarantees and loans to external parties and shall not become capital contributors who bear joint and several liabilities for the debts of the enterprises they have invested in.

Regulation on Operations

The principal businesses we currently operate include, but is not limited to: securities brokerage; proprietary securities trading; securities underwriting and sponsorship; securities investment consulting; financial consultation related to securities transactions and securities investment activities; margin financing and securities lending business; agency sales of securities investment funds; agency sales of financial products; provision of intermediary introduction business for futures companies; stock options market-making business.

Securities Underwriting and Sponsorship

Pursuant to the Measures for the Administration of the Sponsorship of Securities Offering and Listing (證券發行上市保薦業務管理辦法) amended on May 13, 2009 and came into effect on June 14, 2009, securities companies shall satisfy the relevant conditions and apply for the sponsoring institution qualification from the CSRC as required, so as to engage in securities issuance, listing and sponsorship businesses. Sponsoring institutions shall designate an individual who has obtained sponsor representative qualification to be responsible for sponsorship duties, so as to discharge sponsorship responsibilities. Issuers shall engage securities companies which have obtained sponsoring institution qualification to perform the sponsorship duties for initial public offering and listing of shares, issuance of new shares or convertible corporate bonds by listing companies, and other matters identified by the CSRC. A securities company applying for the sponsoring institution qualification shall meet the following conditions: its registered capital shall be no less than RMB100 million and net capital shall be no less than RMB50 million; it shall have sound corporate governance and internal control systems, and the risk control indicators shall comply with the relevant provisions; its sponsorship business department shall have comprehensive business procedures, internal risk assessment and control system, and reasonable internal structure, with proper research and marketing capabilities and other back office supports; it shall have a fine sponsorship business team with reasonable professional structure, and the number of practitioners shall not be less than 35, of which no less than 20 personnel have been engaging in sponsor-related businesses in the past three years; no less than four practitioners are qualified to be sponsor representatives; it has not been subject to any administrative penalties due to major violation of laws and regulations in the past three years; and it shall meet other requirements as required by the CSRC.

The Administrative Measures on Securities Issuance and Underwriting (證券發行與承銷管理辦法), amended on December 30, 2015 and came into effect on January 1, 2016, promulgated detailed provisions in such aspects of quotation and pricing, offering of securities, underwriting of securities and information disclosure by the issuers, securities companies and investors during their participation in securities issuance. These measures are applicable to the issuance of shares or convertible corporate bonds in China by issuers, underwriting of securities in China by the securities companies and subscription of securities issued in China by investors. Pursuant to these measures, securities companies shall submit offering and underwriting plans to the CSRC before engaging in any securities underwriting activities.

According to the Opinions of the CSRC on Further Promoting the Reform of New Shares Issuance System (中國證監會關於進一步推進新股發行體制改革的意見) which came into effect on November 30, 2013, securities service institutions including sponsors and accounting firms, shall

make an undertaking to the public in the public offering and listing documents: where the documents they have prepared or issued for the initial public offering of the issuers contain false records, misleading statements or material omissions that have caused losses to investors, they will compensate for such losses pursuant to the laws.

According to the Administrative Measures on Corporate Bonds Issuance and Trading (公司債券發行與交易管理辦法) which came into effect on January 15, 2015, the issuance of corporate bonds shall be underwritten by securities companies which have securities underwriting business qualifications. Issuers shall appoint bond trustee for bond holders, such appointee may be the underwriter for the issuance or other institutions recognized by the CSRC.

According to the Regulations on the Management of Enterprise Bonds (企業債券管理條例) amended and came into effect on January 8, 2011, issuance of enterprise bonds by enterprises shall be underwritten by securities trading institutions. Non-securities trading institutions or individuals are not allowed to conduct the underwriting and transfer business of enterprise bonds.

Financial Advisory Business in the M&A and Reorganization of Listed Companies

According to the Administrative Measures on Financial Advisory Business in the M&A and Reorganization of Listed Companies (上市公司併購重組財務顧問業務管理辦法), which came into effect on August 4, 2008, securities companies approved by the CSRC to qualify for providing financial advisory business in the merger & acquisition (M&A) and reorganization of listed companies may engage in the financial advisory business for the M&A and reorganization of listed companies according to the relevant requirements. The CSRC reviews and decides on the applications submitted by financial advisor applicants for the qualification of financial advisory business in the M&A and reorganization of listed companies. Securities companies which are engaged to act as independent financial advisors of listed companies shall maintain their independence and shall not have any interest in the listed companies.

National Equities Exchange and Quotations System (NEEQ) Sponsoring Broker-Dealer Business

According to the Provisional Business Rules for the National Equities Exchange and Quotations System (全國中小企業股份轉讓系統業務規則(試行)) ("NEEQ") amended and came into effect on December 30, 2013, the NEEQ implements the sponsoring broker-dealer system. Sponsoring broker-dealers are securities companies which conduct some or all of the following businesses in NEEQ: recommendation business, brokerage business, market-making business and other businesses stipulated by National Equities Exchange and Quotations Co., Ltd. Any securities companies that conduct relevant businesses in NEEQ shall make an application for filing with National Equities Exchange and Quotations Co., Ltd.

Asset Securitization Business

According to the Administrative Measures on Asset Securitization of Securities Companies and Subsidiaries of Fund Management Companies (證券公司及基金管理公司子公司資產證券化業務管理規定) which came into effect on November 19, 2014, securities companies which are qualified for client asset management business and subsidiaries of fund management companies which are

established by securities investment fund management companies and qualified for specific client asset management business may conduct the asset securitization business. Managers who establish special plans and issue asset-backed securities shall also comply with the following conditions: possess a comprehensive compliance and risk control system and risk disposal measures to control business risk effectively, and have not been subject to administrative penalties due to material breach in laws and regulations during the past year. The manager shall not act as follows: fails to book proceeds raised in accounts or carries out other forms of off-ledger operations; the size of proceeds raised exceeds the amount as agreed in the prospectus of the scheme; embezzles or misappropriates special scheme assets; creates guarantee with special scheme assets or incurs other contingent liabilities; manages and utilizes special scheme assets in violation of the agreed terms contained in the prospectus of the scheme; performs other conduct prohibited by laws, administrative regulations and the CSRC.

Custodian of Securities Investment Funds

According to the Administrative Measures on the Custodian Business for Securities Investment Fund (證券投資基金託管業務管理辦法) which came into effect on April 2, 2013 and the Interim Provisions on the Launch of Securities Investment Fund Custody Business by Non-bank Financial Institutions (非銀行金融機構開展證券投資基金託管業務暫行規定) which came into effect on June 1, 2013, securities companies shall obtain approval from the CSRC and lawfully obtain qualifications for the securities investment fund custodian business before they engage in such business. If a securities company intends to carry on the securities investment fund custodian business, it shall comply with the provisions of laws and regulations, fund contracts and fund custodian agreements, shall establish an effective internal control system, manage the fund properties strictly in separate custody from its inherent properties and various properties entrusted to it for management purpose, shall abide by professional ethics and code of conduct, act in good faith and due diligence, and perform the fund custodian duties for the benefit of fund unit holders.

Outsourcing of Fund Business

According to the Guidance for Fund Business Outsourcing Services (Trial) (基金業務外包服務指引(試行)) which came into effect on February 1, 2015, fund business outsourcing service institutions shall submit a filing to AMAC and register as a member of AMAC. A fund business outsourcing service institution shall possess the operation ability and risk tolerance capacity to operate the outsourcing business, shall prudently evaluate the potential risks and conflict of interest in the outsourcing services, and shall establish a strict firewall system and business segregation system for the effective execution of internal control systems such as information segregation and the practical prevention of transferring benefits.

Agency Sales of Securities Investment Funds

According to the Administrative Measures on Sales of Securities Investment Funds (證券投資基金銷售管理辦法) which came into effect on June 1, 2013, securities companies and other institutions, subject to satisfaction of the relevant requirements, may apply for business qualification for sales of funds from the local branches of the CSRC. Staff participating in the business of sales of funds, such as promoters of funds and system operators and maintenance technicians of information management

platforms for sales of funds, shall obtain business qualification for sales of funds. Entities engaging in sales of funds shall set up a comprehensive management system of fund unit holder accounts and capital accounts, deposit and withdrawal procedures as well as authorization and approval systems for fund unit holders and a management system for sales suitability of funds. Entities for sales of funds shall, in the process of selling funds and the relevant products, abide by the principle of giving priority to the interest of investors, and sell products of different degrees of risks according to the risk tolerance of investors so as to sell the appropriate products to appropriate fund investors.

Proprietary Securities Trading

Pursuant to the Securities Law, the Regulations on Supervision and Administration of Securities Companies (證券公司監督管理條例) and the Guidelines on Proprietary Securities Trading Business of Securities Companies (證券公司證券自營業務指引) which came into effect on November 11, 2005, securities companies engaging in proprietary securities trading shall be limited to the trading of lawfully and publicly offered stocks, debentures, warrants, securities investment funds or other securities approved by the securities regulatory authority of the State Council. A securities company that engages in proprietary securities trading business shall register its proprietary securities account under the company's name. Risk control indicators, such as the proportion of the total value of proprietary securities to the net capital of the company, the proportion of the value of a single security to the net capital of the company, and the proportion of the quantity held in respect of a single security to the total volume of issued securities, shall comply with the requirements of the CSRC.

Pursuant to the Regulations on the Investment Scope of Proprietary Securities Business of Securities Companies and Relevant Matters (關於證券公司證券自營業務投資範圍及有關事項的規定) amended and came into effect on November 16, 2012, and its annex, the List of Categories of Proprietary Securities Investments of Securities Companies (證券公司證券自營投資品種清單), a securities company engaging in proprietary securities trading business may engage in the trading of the following securities: securities which have been or could be legally listed, traded and transferred on a domestic stock exchange; securities which have been listed and transferred on the NEEQ; private placement bonds which have been or could be legally listed and transferred on qualified regional equity trading markets; shares which have been listed and transferred on qualified regional equity trading markets; securities which have been or could be legally traded on the domestic interbank market; and securities issued with the approval of or after filing with the national financial regulatory authorities or its authorized bodies and traded over the counter at domestic financial institutions.

A securities company which is qualified to engage in proprietary securities trading business is allowed to conduct trading of financial derivative products, while a securities company without such qualification is only allowed to conduct trading of financial derivative products for the purpose of hedging.

A sound investment decision-making and authorization mechanism with relatively concentrated and unified powers and duties shall be established by a securities company. The decision-making body of the proprietary business, in principle, shall be established according to a three-tier system, namely,

board of directors, investment decision-making body, and proprietary business department. The proprietary business department of a securities company shall be solely responsible for the management and operation of the proprietary business, and non-proprietary business departments and branches shall not conduct proprietary business in any form.

Stock Option Business

Pursuant to the Pilot Measures for Administration of Trading of Stock Options (股票期權交易試點管理辦法) which came into effect on January 9, 2015, securities firms may engage in stock option brokerage business, proprietary trading business and market-making business. Futures companies may engage in stock option brokerage business, and spot securities brokerage business relating to covered call and exercise of stock options. Market makers of stock options shall assume the obligations, such as the provision of bilateral price quotations for stock option contracts, in accordance with the relevant business rules of the stock exchanges, and shall be entitled to the corresponding rights; shall strictly comply with laws and regulations, administrative rules and regulations, and relevant requirements of stock exchanges; shall establish and improve the information segregation system, prevent conflict of interest between market-making business and other businesses; shall not perform actions in violation of laws and regulations, such as insider dealing and market manipulation, or to benefit from improper gains, by utilizing the opportunity of performing market-making activities.

A securities company shall open an investors' stock option margin account in custodian banks for keeping option monies, exercise funds and cash deposits for stock option trading by investors. A futures company shall keep the option monies, exercise funds and cash deposits for stock option trading by investors in the futures margin account. Futures companies which operate spot securities brokerage business relating to covered and open positions and exercise rights of stock options, shall also open a separate relevant spot capital account at the custodian bank. The operating entity shall implement segregate account management for funds received from investors, keep proper records on the breakdown details of funds for individual investors, and implement segregated account management for the operating entity's proprietary funds and the settlement funds for spot trading of securities, appropriation of the relevant funds shall comply with the relevant requirements of the CSRC.

Stock Index Futures Business

According to the Guidelines on Securities Companies Participating in Stock Index Futures and Treasury Bond Futures Trading (證券公司參與股指期貨、國債期貨交易指引) which came into effect on August 21, 2013, securities companies may participate in the trading of stock index futures using their own funds or entrusted funds managed by them. Securities companies which participate in the trading of stock index futures shall establish a relevant system to participate in trading, including aspects such as investment decision-making process, investment objectives, scale of investment and risk control. Securities companies which participate in the trading of stock index futures shall employ professional staff who are familiar with stock index futures, possess proper risk management and internal control systems and an effective dynamic risk control system to ensure that the risks of participating in the trading of stock index futures are detectable, controllable and tolerable.

Pursuant to the Guidelines on Securities Investment Funds Participating in Stock Index Futures Trading (證券投資基金參與股指期貨交易指引) which came into effect on April 21, 2010, equity funds, hybrid funds and capital guaranteed funds may participate in the trading of stock index futures in accordance with these guidelines, while bond funds and money market funds are not allowed to participate in the trading of stock index futures. Except for the special funds otherwise stipulated or approved by the CSRC, when participating in stock index futures trading, the funds shall conform to the relevant operation and investment proportion limits.

The Guidelines on Qualified Foreign Institutional Investors Participating in Stock Index Futures Trading (合格境外機構投資者參與股指期貨交易指引), which came into effect on May 4, 2011, provides that qualified investors participating in the trading of stock index futures shall only engage in hedging transactions. Qualified investors participating in the trading of stock index futures shall open accounts, apply for hedging quota and handle other matters according to the relevant requirements of the China Financial Futures Exchange. Qualified investors, custodians and futures companies shall determine the trading and clearing modes of stock index futures trading participated by qualified investors, specify the rights and obligations in each trading segment, and set up a fund safety protection mechanism in accordance with the relevant requirements of the China Financial Futures Exchange.

According to the Measures on the Administration of Risk Control of China Financial Futures Exchange (中國金融期貨交易所風險控制管理辦法), amended on June 12, 2015 and came into effect on July 10, 2015, the China Financial Futures Exchange adopts the margin system, price limit system, position limit system, large position reporting system, mandatory liquidation system, system of forced reduction in positions, system of settlement guaranteed funds and risk warning system for the purpose of risk management in futures trading. In addition, the China Financial Futures Exchange may, at its discretion, adopt one or more of the following risk control measures depending on market risk conditions: increasing trading margin level, restricting the opening of new positions, restricting the withdrawal of funds, ordering a close-out of positions within a specified time limit, forcing liquidation, suspending trading, adjusting the daily price up/down limits, forcing to reduce positions, or other risk control measures.

Foreign Exchange Settlement and Sales Business

According to the Regulations on Foreign Exchange Administration which came into effect on August 5, 2008, the Notice on the Detailed Implementation Rules of the Administrative Measures on Banks Engaging in Foreign Exchange Settlement and Sales (銀行辦理結售匯業務管理辦法實施細則的通知) which came into effect on January 1, 2015 and the Administrative Approval Service Guidance on Approval of Market Entry and Exit in Foreign Exchange Business Operated by Non-banking Financial Institutions such as Insurance and Securities Companies (《保險、證券公司等非銀行金融機構外匯業務市場准入、退出審批》行政審批服務指南) which came into effect on December 15, 2015, financial institutions that operate or terminate the foreign exchange settlement and sales business shall be approved by the foreign exchange administration authority. Non-banking financial institutions that apply to commence foreign exchange settlement and sales business shall comply with the following conditions: shall possess the qualifications to operate the financial business; shall have genuine needs for foreign exchange settlement and sales and a certain scale of foreign exchange settlement and sales business; no

objection may be raised by the regulatory authority or its authorized industry administration body on granting a license to commence foreign exchange settlement and sales business; shall have a comprehensive business management system; shall have the necessary premises and other software and hardware facilities required to operate the business; shall have senior management officers and business personnel with the relevant business working experience.

Stock Collateral Repo Trading

According to the Measures on Stock Collateral Repo Trading and Registration and Clearing Business (Trial) (股票質押式回購交易及登記結算業務辦法(試行)) which came into effect on May 24, 2013, the Shanghai Stock Exchange implements the limit on trading rights for the administration of securities companies participating in stock collateral repo trading. Securities companies shall establish the client qualification examination system to conduct due diligence investigation on clients, examine clients' creditworthiness, asset size, risk tolerance level and knowledge of the securities market. Securities companies shall provide clients with comprehensive briefing on the business rules and sufficient disclosure of risks.

Treasury Bonds Outright Repo Business

According to the Notice of the MOF, PBOC and CSRC on the Launching of Treasury Bonds Outright Repo Trading Business (財政部、中國人民銀行、證監會關於開展國債買斷式回購交易業務的通知) which came into effect on April 8, 2004, members of the national interbank bond market and institutional investors in the stock exchange bond market may operate treasury bonds outright repo trading business. The Detailed Implementation Rules of Shanghai Stock Exchange on Treasury Bonds Outright Repo Trading (上海證券交易所國債買斷式回購交易實施細則), which came into effect on November 23, 2004, made further provisions on the treasury bonds outright repo business.

Repo Securities Trading

According to the Measures on Repo Securities Trading and Registration and Clearing Business (約定回購式證券交易及登記結算業務辦法) which came into effect on December 10, 2012, the Shanghai Stock Exchange implements the limit on trading rights for the administration of repo securities trading. Securities companies shall establish the client qualification examination system to examine, inter alia, clients' creditworthiness, asset size, risk tolerance level and knowledge of the securities market. Securities companies shall provide clients with comprehensive briefing on the business rules and sufficient disclosure of risks.

Securities Research Business

According to the Interim Provisions on the Publication of Securities Research Reports (發佈證券研究報告暫行規定) which came into effect on January 1, 2011, the issuance of securities research reports by securities companies and securities investment consulting agencies shall comply with laws, administrative regulations and other relevant requirements, follow the principles of independence,

objectivity, fairness and prudence, prevent conflicts of interest effectively, and treat its target groups in a fair manner. They are prohibited from disseminating false, untrue and misleading information, and are prohibited from engaging or participating in insider dealing or securities market manipulation activities.

Securities Brokerage

According to the Regulations on Supervision and Administration of Securities Companies (證券公司監督管理條例), a securities company that engages in securities brokerage business should examine whether the client accounts contain sufficient funds and securities. If the customer's capital account contains insufficient funds, it shall not accept a purchase order; if the customer's securities account contains insufficient securities, it shall not accept a sell order. For a securities company that engages in securities brokerage business, the trading settlement funds of its clients shall be deposited in a designated commercial bank and managed by a separate account opened in the name of each customer. Securities companies shall not accept discretionary orders from clients to make decisions on securities trading, select the types of securities or decide on the trading volume or trading price.

According to the Provisions on Strengthening the Management of the Securities Brokerage Business (關於加強證券經紀業務管理的規定) which came into effect on May 1, 2010, securities companies engaging in securities brokerage business shall comply with the following requirements: establish and improve the management system for the securities brokerage business; objectively explain the business qualifications, responsibilities and scope of services of the company; establish and improve the customer management and customer service systems for the securities brokerage business, enhance investor education, protect the legitimate interest of customers; establish and improve the personnel management and scientifically rational performance appraisal systems for the securities brokerage business, and regulate the conduct of personnel in the securities brokerage business; establish and improve the management system of securities sales branches, ensure the regulated, stable and safe operations of the securities sales branches; establish and manage unified information systems for, inter alia, client account management, client funds depositary, agency trading, agency clearing and settlement, securities custodian, monitoring and control of trading risks, all business data shall be kept in centralized storage; if any conduct in violation of laws, administrative regulations, provisions of regulatory authorities and other administrative and management authorities, self-regulatory rules and the management system of securities brokerage business of securities companies is committed by securities sales branches and securities practitioners, the securities company shall hold such personnel responsible; if securities companies and securities branches have violated these provisions, the CSRC and its branch agencies will impose regulatory measures in accordance with the law such as to issue an order for rectification, conduct regulatory interview, issue a caution letter, temporarily suspend the processing of documents related to administrative license, order a punishment on the relevant persons, suspend approval of new businesses and limit the business activities. Any violation of laws and regulations will be punished by administrative penalties in accordance with law. If a criminal offence is committed, the case will be transferred to the judicial authorities for prosecution.

Futures Brokerage, Futures Trading, Futures Investment Consulting, Asset Management Business and Risk Management Business

The Regulations on the Administration of Futures Trading (期貨交易管理條例) and the Measures for Supervision and Administration of Futures Companies (期貨公司監督管理辦法) promulgate a

licensing system for futures companies to commence operations. The CSRC is responsible for the issuance of licenses according to the types of commodity futures and financial futures businesses. Futures companies engaging in asset management business shall complete registration and filing according to the law. Apart from making application to operate domestic futures brokerage business, futures companies may also apply for the operations of overseas futures brokerage, futures investment consulting and other futures business as specified by the CSRC. Futures trading shall strictly execute the margin system. A futures company conducts futures trading in its own name on behalf of clients, and the outcome of transactions shall be borne by the clients. Futures companies shall not engage, directly or alternatively, in proprietary futures business. Eligible overseas institutions may conduct particular categories of futures trading in futures exchanges, specific measures shall be formulated by the futures supervision and management authorities of the State Council.

The Working Guidance for Engagement in Pilot Business Mainly on Risk Management Services by Subsidiaries established by Futures Companies (期貨公司設立子公司開展以風險管理服務為主的業務試點工作指引) stipulates that futures companies may establish subsidiaries to operate pilot business mainly on risk management services, the China Futures Association shall implement self-regulatory supervision and administration on the aforesaid business activities. When a futures company establishes a subsidiary to operate a pilot business mainly on risk management, it shall establish and improve the client credit management system, internal control system, business segregation system, information disclosure system and record keeping system. The aforesaid subsidiary shall not engage in businesses licensed for operation by futures companies under the law, including businesses that require administrative licenses such as futures brokerage, futures investment consulting and client asset management.

Margin Financing and Securities Lending

Pursuant to the Administrative Measures on Margin Financing and Securities Lending of the Securities Companies (證券公司融資融券業務管理辦法) amended and came into effect on July 1, 2015, a securities company which intends to engage in margin financing and securities lending business must meet the relevant conditions and obtain the business qualifications of margin financing and securities lending with approval from the CSRC. Securities companies engaging in margin financing and securities lending business shall open special securities account for securities lending, guaranteed securities account for client margin trading, securities settlement account for margin trading and capital settlement account for margin trading in their own names at securities registration and clearing agencies, and shall also open special capital account for margin financing and guaranteed capital account for client margin trading at commercial banks. Securities companies shall enter into client margin custody agreement with their clients and commercial banks by keeping settlement funds for client transactions under third-party custody. Securities companies may only utilize funds in the special capital account for margin financing to provide financing for clients, and securities companies may only utilize the securities in the special securities account for securities lending for providing securities lending to clients. Securities companies shall not provide margin financing and securities lending business to clients who have not provided the relevant information as required, or have engaged in securities trading for less than six months, or the daily average balance of securities assets in the last 20 trading days of such clients is less than RMB500,000, or have past record of material

default, and shall not provide such services to shareholders (excluding shareholders holding less than 5% of circulating shares of listed securities companies) and connected persons of the Company. The aggregate amount of margin financing and securities lending services provided by a securities company shall not be more than 4 times of its net capital.

The Detailed Implementation Rules of Shanghai Stock Exchange on Margin Financing and Securities Lending (上海證券交易所融資融券交易實施細則) that came into effect on December 12, 2016 and the Detailed Implementation Rules of the Shenzhen Stock Exchange on Margin Financing and Securities Lending (深圳證券交易所融資融券交易實施細則) that came into effect on December 12, 2016 have made detailed provisions on, inter alia, the business process and underlying securities of the margin financing and securities lending business to be carried out by securities companies on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

Refinancing Business

Pursuant to the Provisional Measures on the Supervision and Administration of the Refinancing Business (轉融通業務監督管理試行辦法) that came into effect on October 26, 2011, refinancing business refers to operating activities whereby a securities finance company lends out funds or securities which are owned or lawfully raised by it to other securities companies to facilitate their operations of margin financing and securities lending business. These measures regulate the refinancing business in various aspects, including the relevant securities finance companies, the rules of refinancing business, sources of capital and securities, disposal of equity interest as well as supervision and management.

Agency Sales of Financial Products

According to the Administrative Provisions on the Agency Sales of Financial Products by Securities Companies (證券公司代銷金融產品管理規定) which came into effect on November 12, 2012, a securities company engaging in agency sales of financial products shall obtain qualification for agency sales of financial products and approval from the branch office of the CSRC where the securities company is located. Prior to the acceptance of entrustment for agency sales of financial products, a securities company shall examine the qualifications of the entrusting party. When a securities company recommends and introduces financial products to clients, basic information such as the clients' identity, properties and income position, financial knowledge and investment experience, investment objectives and risk appetite shall be obtained from clients in order to evaluate the suitability of the clients to purchase the financial products. A securities company shall adopt appropriate methods to provide the clients with comprehensive, fair and accurate information of the financial products and provide adequate explanation on the key risk characteristics of the financial products.

Provision of Intermediary Introduction Business to Futures Companies by Securities Companies

According to the Provisional Measures on Provision of Intermediary Introduction Business to Futures Companies by Securities Companies (證券公司為期貨公司提供中間介紹業務試行辦法) which came into effect on April 19, 2007, securities companies providing futures intermediary Introduction business to futures companies shall operate in a prudent manner through standardized

management of the futures intermediary Introduction business by their sales branches. Securities companies shall only accept the entrustment from their wholly-owned or controlled futures companies, or futures companies under common control by the same entity, to provide futures intermediary introduction business. The securities companies shall not accept entrustment from other futures companies to carry out futures intermediary Introduction business. Securities companies and futures companies shall operate independently from each other with separate financial accounts, staff and operating premises. Securities companies shall not carry out futures trading, settlement or delivery for their clients, and shall not receive or pay futures deposits for futures companies or clients, and shall not deposit, withdraw or transfer futures deposits for clients by using the securities capital accounts. Securities companies shall not, directly or indirectly, provide financing or guarantee to clients engaging in futures trading.

Securities Investment Consulting

According to the Provisional Measures on Administration of Investment Consulting on Securities and Futures (證券、期貨投資諮詢管理暫行辦法) which came into effect on April 1, 1998, a firm engaging in the securities investment consulting business shall have the necessary qualifications and obtain a business license from the CSRC. Practitioners of securities investment consulting must obtain the securities investment consulting qualifications and join a qualified securities investment consulting institution with business qualification before providing securities investment consulting services.

According to the Interim Provisions on the Securities Investment Advisory Business (證券投資顧問業務暫行規定) which came into effect on January 1, 2011, securities investment advisory business is a basic form of securities investment consulting business. A securities company and its investment advisors shall provide securities investment advisory services in good faith and shall not jeopardize the interest of clients by acting in favor of the company and its related parties, jeopardize the interest of clients by acting in favor of securities investment advisors and their stakeholders, or jeopardize the interests of other clients by acting in favor of specific clients.

OTC Market Business

According to the Measures for the Administration of Securities Companies in Over-The-Counter Market (Trial) (證券公司櫃檯市場管理辦法(試行)), which came into effect on August 15, 2014, securities companies shall operate business in the over-the-counter (OTC) market in accordance with these measures and are subject to self-regulatory management by the Securities Association of China. Except private equity products for which prior approval of and filing with the financial regulatory authorities are explicitly required, private equity products issued, sold and transferred in the OTC market by securities companies are subject to post-event filing directly. Products which are issued, sold and transferred in the OTC market by securities companies include but not limited to: products of asset management plans and corporate debt financing instruments established or underwritten in the form of non-public offering by securities companies and their subsidiaries; products established by banks, insurance companies, trusts and other institutions which are issued, sold and transferred through securities companies; financial derivatives and products authorized by the CSRC and the Securities Association of China.

Regional Equity Trading Market Business

According to the Guidance Opinions on Regulating the Participation of Securities Companies in Regional Equity Trading Markets (Trial) (關於規範證券公司參與區域性股權交易市場的指導意見(試行)) which came into effect on August 23, 2012, prior to participation in the regional markets, securities companies shall make an assessment on the regional markets in accordance with the conditions stipulated in the Opinions and generate an assessment report. Securities companies which participate in regional markets shall comply with the relevant regulatory requirements of the CSRC and submit filing to the Securities Association of China.

Securities Asset Management

According to the Administrative Measures on Client Asset Management of Securities Companies (證券公司客戶資產管理業務管理辦法), the Detailed Implementation Rules for the Targeted Asset Management Business of Securities Companies (證券公司定向資產管理業務實施細則) which came into effect on October 18, 2012, the Detailed Implementation Rules of the Collective Asset Management Business of Securities Companies (證券公司集合資產管理業務實施細則) which came into effect on June 26, 2013 and the Notice in relation to Strengthening Supervision on Asset Management Business of Securities Companies (關於加強證券公司資產管理業務監管的通知) which came into effect on March 14, 2013, securities companies engaging in the client asset management business shall meet the relevant conditions and shall apply to the CSRC for the qualification to operate client asset management business. Securities companies may provide targeted asset management business for individual clients, collective asset management business for multiple clients and special asset management business for clients with special objectives. Securities companies engaging in client asset management business shall have sufficient understanding of clients, classify clients into various categories, comply with risk matching principles, recommend suitable products and services to clients, and shall not mislead clients to purchase products or services inconsistent with their risk tolerance levels. They shall not raise funds from entities and individuals other than qualified investors, and shall not advertise or make recommendations to uncertain subjects through public broadcasting media such as newspapers and press, radio stations, television stations and Internet, or by way of lectures, briefings or analysis meetings, etc. Use of improper means are forbidden in the promotions of collective asset management schemes, such as by way of signing principal protected and minimum return guaranteed supplemental agreements, or by way of untrue advertising, overstatement of expected return or commercial bribery.

According to the Administrative Measures on Asset Securitization of Securities Companies and Subsidiaries of Fund Management Companies (證券公司及基金管理公司子公司資產證券化業務管理規定) which came into effect on November 19, 2014, securities companies that possess client asset management business qualifications, and subsidiaries of fund management companies which are established by securities investment fund management companies and possess specific client asset management business qualifications, may conduct asset securitization business.

Mutual Securities Investment Fund Management

According to the Law of Securities Investment Funds (證券投資基金法) and the Interim Provisions on the Commencement of Mutual Securities Investment Fund Management Business by

Asset Management Institutions (資產管理機構開展公募證券投資基金管理業務暫行規定) which came into effect on June 1, 2013, mutual securities investment fund managers shall be fund management companies or other institutions such as securities companies approved by the CSRC. Securities companies that apply to commence fund management business shall comply with the relevant conditions, such conditions mainly include: asset management experience and product performance meeting the relevant requirements, sound corporate governance structure, good operating conditions, operation is in compliance with laws and regulations, being a member of AMAC, the size of assets under management has complied with the relevant conditions, compliance of risk control indicators.

Securities companies which operate mutual securities investment fund management business shall establish a specialized fund business department, establish an independent fund investment decision-making process and a relevant firewall system; shall have an information system and safety and preventive facilities meeting required standards; shall establish a management system for arm's length transactions and related party transactions, improve the monitoring mechanism for arm's length transactions and abnormal transactions, give fair treatment to different assets under management and prevent insider dealing.

Fund Management Business

According to the Administrative Measures on Securities Investment Fund Management Companies (證券投資基金管理公司管理辦法), a securities investment fund management company shall satisfy the relevant conditions, seek approval from the CSRC for its establishment and obtain a fund management qualification certificate to engage in the securities investment fund management business and other businesses authorized by the CSRC. Depending on the requirements for professional operation and management, a fund management company may establish subsidiaries, branch offices or sales branches in other forms prescribed by the CSRC. A fund management company shall comply with the requirements of the CSRC to establish a scientific and reasonable, closely controlled and efficiently operated internal control system, develop a scientific and sound internal control regime, maintain lawful and compliant business operation, and maintain sound and effective internal control of the company. In addition, a fund management company shall establish a sound investment management system constituted by such segments as authorization, research, decision-making, execution and assessment, and give fair treatment to properties of various funds and client assets under its management.

Specific Client Asset Management Business of Fund Companies

Pursuant to the Pilot Measures on Specific Client Asset Management Business operated by Fund Management Companies (基金管理公司特定客戶資產管理業務試點辦法) which came into effect on November 1, 2012, qualified fund management companies may, with the approval of the CSRC, raise funds from specific clients or act as asset managers for entrusted assets of specific clients, to engage in the specific asset management business. An asset manager may engage in specific asset management business by establishing an asset management plan, which may operate in the form of providing specific asset management business for an individual client, or providing specific asset management

business for a number of specific clients, and the products invested by such asset management plans shall comply with the provisions of the said measures. A fund management company engaging in the specific asset management business shall establish specialized business divisions or a specialized subsidiaries.

Private Equity Investment Management

Pursuant to the Provisional Measures on the Supervision and Management of Private Investment Funds (私募投資基金監督管理暫行辦法) which came into effect on August 21, 2014, AMAC supervises the private fund industry on self-regulatory basis in accordance with the Law of Securities Investment Funds (證券投資基金法), the Provisional Measures on the Supervision and Management of Private Investment Funds (私募投資基金監督管理暫行辦法), other relevant provisions of the CSRC and the self-regulatory rules of AMAC. All types of private fund managers shall apply to register with AMAC according to the requirements of the AMAC. After completion of offering of all types of private funds, the private fund managers shall complete the filing procedures of funds according to the requirements of AMAC. Meanwhile, the measures also impose regulations on pooling of funds, investment operation and other aspects of private funds.

Direct Investment

According to the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies, if a private investment funds subsidiary establishes a special purpose vehicle such as funds management body based on taxation, policies, supervisions and partners' requirements, it should hold 30% of the equity interests or capital contribution of that body and has rights of management and control. If a private investment funds subsidiary and its funds management body invest their own funds in private investment funds set up by that body, the amount invested in a single fund shall not exceed 20% of total amounts of that fund.

According to the Management Rules for the Alternative Investment Subsidiaries under Securities Companies, An alternative investment subsidiary should establish investment management system, set up a specific investment decision-making body and specify investment decision making authorities and procedures; create a sound organizational structure and clearly define the responsibilities and functions of each body; improve business procedures covering investment feasibility research, investment establishment, due diligence and post-investment management.

Cross-Border Business

Qualified Domestic Institutional Investors (QDII) Business

Pursuant to the Trial Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資管理試行辦法) which came into effect on July 5, 2007, QDII means a securities operation institution, including domestic fund management company and securities company, upon approval from the CSRC, raises funds within the territory of the PRC and conduct overseas securities investment management in the form of asset portfolio by using part or all of the raised funds. Where any overseas securities investment business is conducted by a QDII, the asset custodian business shall be undertaken by a domestic commercial

bank, and an overseas securities services agency may be appointed to carry out agency trading of securities. A securities company with QDII qualification may raise funds by establishing collective schemes of asset management or other means, or engage in targeted asset management and special asset management businesses, and invest the funds as raised or managed by it in overseas securities markets.

Pursuant to the Provisions on Foreign Exchange Control in connection with Overseas Securities Investment by Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資外匯管理規定) which came into effect on August 21, 2013, QDIIs may use their own funds or raised funds from domestic organizations and individuals to invest in overseas markets and products that are permitted by regulations and the relevant authorities (except for overseas use of the banks' own funds). QDIIs shall apply to the SAFE for overseas investment quota. The SAFE shall implement balance administration for investment quota for overseas investment, and the net amount of outward remittance (including foreign currency and Renminbi funds) of overseas investment by QDIIs shall not exceed the approved investment quota. QDIIs and their custodians shall perform the obligation of declaration of international balance of payments pursuant to the relevant provisions on declaration of statistics of international balance of payments.

Qualified Foreign Institutional Investors (QFII) Business

Pursuant to the Measures for the Administration of Securities Investment within the Borders of China by Qualified Foreign Institutional Investors (合格境外機構投資者境內證券投資管理辦法) which came into effect on September 1, 2006, foreign funds management institutions, insurance companies, securities companies and other asset management institutions may invest in China's securities market with the approval from the CSRC and an investment quota granted by the SAFE. Qualified investors shall appoint domestic commercial banks as custodian for custody of assets and appoint domestic securities companies to complete onshore trading activities. Investments in domestic shares by qualified investors shall comply with the restriction on shareholding ratio imposed by the CSRC.

The Detailed Implementation Rules of the Shanghai Stock Exchange for the Securities Trading of Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (上海證券交易所合格境外機構投資者和人民幣合格境外機構投資者證券交易實施細則) which came into effect on March 19, 2014, and the Detailed Implementation Rules of the Shenzhen Stock Exchange for the Securities Trading of Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (深圳證券交易所合格境外機構投資者和人民幣合格境外機構投資者證券交易實施細則) which came into effect on April 25, 2014, specify detailed requirements regarding the launch by Qualified Foreign Institutional Investors of securities trading.

Rules relating to Issues on the Implementation of the Measures for the Administration of Securities Investment within the Borders of China by Qualified Foreign Institutional Investors (關於實施〈合格境外機構投資者境內證券投資管理辦法〉有關問題的規定) which came into effect on July 27, 2012, further provide that asset management organizations, insurance companies, securities companies, commercial banks and other institutional investors (pension funds, charity funds,

endowment funds, trust companies, government investment management companies, etc.) that apply for QFII qualification shall satisfy the criteria on scale of assets stipulated by the CSRC. Investments in domestic securities by foreign investors shall comply with the restriction on shareholding ratio imposed by the CSRC.

Pursuant to the Provisions on Foreign Exchange Control in connection with Securities Investments in China by Qualified Foreign Institutional Investors (合格境外機構投資者境內證券投資外匯管理規定) which came into effect on February 3, 2016, the Chinese government implements investment quota management for domestic securities investments by QFIIs. The SAFE approves the investment quota for qualified individual investors and such quota may be adjusted. A QFII shall not apply for further increase in the investment quota within one year after approval of the last investment quota.

RMB Qualified Foreign Institutional Investors (RQFII) Business

Pursuant to the Pilot Measures on Domestic Securities Investments by RMB Qualified Foreign Institutional Investors (人民幣合格境外機構投資者境內證券投資試點辦法) which came into effect on March 1, 2013, RQFII refers a foreign legal person which has been approved by the CSRC and granted with investment quota by the SAFE to carry out domestic securities investment with RMB funds sourced from overseas. RQFII engaging in domestic securities investment business shall appoint a commercial bank in China qualified to act as a custodian for RQFIIs to undertake the asset custodian business, and appoint a domestic securities company to act as its securities trading agent. RQFII may appoint a domestic asset management organization to manage its domestic securities investments.

The Detailed Implementation Rules of the Shanghai Stock Exchange for the Securities Trading of Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (上海證券交易所合格境外機構投資者和人民幣合格境外機構投資者證券交易實施細則) and the Detailed Implementation Rules of the Shenzhen Stock Exchange for the Securities Trading of Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (深圳證券交易所合格境外機構投資者和人民幣合格境外機構投資者證券交易實施細則) specify the detailed requirements regarding the operation of securities trading by RMB Qualified Foreign Institutional Investors.

The Rules relating to the Implementation of the Pilot Measures on Domestic Securities Investments by RMB Qualified Foreign Institutional Investors (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定), which came into effect on March 1, 2013, further provide that applicants of RMB Qualified Foreign Institutional Investor must be Hong Kong subsidiaries of domestic fund management companies, securities companies, commercial banks, insurance companies, or financial institutions incorporated or with principal place of business in Hong Kong, which have obtained asset management business qualification from the securities regulatory authority of Hong Kong and have commenced asset management business. Investments in domestic securities by foreign investors shall comply with the restriction on shareholding ratio imposed by the CSRC.

Business of Foreign-invested Shares

According to the Interim Provisions on the Administration of Qualifications for the Business of Foreign-invested Shares operated by Onshore and Offshore Securities Operation Institutions (境內及

境外證券經營機構從事外資股業務資格管理暫行規定) which came into effect on December 1, 1996, onshore or offshore securities operation institutions engaging in the business of foreign-invested shares shall obtain the Business Qualification Certificate for Operation of Foreign-invested Shares (經營外資股業務資格證書) issued by the CSRC in accordance with these rules, the aforesaid foreign-invested shares include domestic listed foreign-invested shares and overseas listed foreign-invested shares. These rules provided all conditions required to be fulfilled by domestic securities institutions that apply to operate brokerage business of foreign-invested shares, underwriting business of foreign-invested shares, to act as lead underwriter or domestic affairs coordinator of foreign-invested shares, as well as conditions required to be fulfilled by foreign securities operation institutions that apply to operate the brokerage business of domestic listed foreign-invested shares by entering into agency agreements with securities operation institutions or by other methods prescribed by the stock exchanges, to act as lead underwriter, co-lead underwriter and international affairs coordinator of domestic listed foreign-invested shares.

Pursuant to the State Council's Decision on Cancelling the Administrative Review and Approval for the First Set of Projects (國務院關於取消第一批行政審批項目的決定) which came into effect on November 1, 2002, the CSRC cancelled its examination and approval of domestic securities companies' qualification for operating the business of foreign-invested shares.

Shanghai-Hong Kong Stock Connect

Pursuant to the Joint Announcement on Launching the Pilot Program of Shanghai-Hong Kong Stock Connect to Establish Mutual Stock Market Access (關於開展滬港股票市場交易互聯互通機制試點的公告) issued by the CSRC and the SFC on April 10, 2014, the Memorandum of Understanding between the CSRC and the SFC on Strengthening Regulatory and Enforcement Cooperation under the Shanghai-Hong Kong Stock Connect (滬港通項目下中國證監會與香港證監會加強監管執法合作備忘錄) signed on October 17, 2014, Certain Provisions on Interconnection Mechanism for Transactions in the Mainland and Hong Kong Stock Markets (內地與香港股票市場交易互聯互通機制若干規定) issued by the CSRC on September 30, 2016, and the Measures of the Shanghai Stock Exchange on the Pilot Shanghai-Hong Kong Stock Connect (上海證券交易所滬港通試點辦法) amended and came into effect on July 25, 2016 and others, the Shanghai Stock Exchange and the Hong Kong Stock Exchange enable investors of the two sides to trade shares within specified scope listed on the other's stock exchange through local securities companies (or brokers), the investment scope may be adjusted by both parties based on the status of the pilot program. The Shanghai-Hong Kong Stock Connect is comprised of the Northbound Trading and the Southbound Trading. Trading under the Shanghai-Hong Kong Stock Connect will initially be subject to a maximum RMB cross-boundary investment quota, together with a daily quota that will be monitored on a real time basis. Quotas may be adjusted by both sides based on the status of the pilot program. Initially, domestic investors participating in the Southbound Trading shall meet the required qualifications.

Shenzhen-Hong Kong Stock Connect

Pursuant to the joint announcements issued by CSRC and SFC on November 25, 2016 and the Implementation Rules for the Shenzhen-Hong Kong Stock Connect Business of Shenzhen Stock Exchange (深圳證券交易所深港通業務實施辦法) which came into effect on September 30, 2016, Shenzhen Stock Exchange, Hong Kong Stock Exchange, China Securities Depository and Clearing

Corporation Limited and HKSCC officially activated the Shenzhen-Hong Kong Stock Connect. Trading in shares under the Shenzhen-Hong Kong Stock Connect commenced on December 5, 2016. Shenzhen-Hong Kong Stock Connect comprises two parts, namely Northbound Trading and Southbound Trading. The Stock Exchange monitors the usage of daily limits under Northbound Trading on a real-time basis and announces such usage in designated websites. Investors participating in Shenzhen-Hong Kong Stock Connect should meet relevant technical standards and other requirements.

Other Regulations

Foreign Exchange Control

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign currencies. SAFE, under the authority of the PBOC, is responsible for the administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to the Regulations on Foreign Exchange Administration, amended and came into effect on August 5, 2008, international payments and transfers are classified into current account items and capital account items. Current international payments and transfers are not subject to restrictions in China, while capital account items are subject to approval from the SAFE.

According to the Regulations on Foreign Exchange Administration, current account foreign exchange income may, in accordance with relevant provisions of the State, shall be retained or sold to any financial institution engaged in the foreign exchange settlement and sale business. Any foreign exchange income on capital account may be retained or sold to a financial institution engaged in foreign exchange settlement and sales business, an approval shall be obtained from the relevant foreign exchange administrative authority, except approval is not required under State provisions. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, by producing valid receipts and proof of transactions. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, may submit the required supporting documents pursuant to the relevant resolutions of general meeting or board resolutions on the distribution of profits to effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks. Convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is still subject to restriction and prior approval from SAFE or its relevant branch.

The Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知), which came into effect on December 26, 2014, sets out provisions for, inter alia, the business registration, account opening and use, cross-border payments and capital exchange involved in the overseas listing of domestic companies.

According to the State Council's Decision on the Cancellation and Adjustment of a Series of Items Requiring Administrative Approval (國務院關於取消和調整一批行政審批項目等事項的決定) which came into effect on October 23, 2014, the SAFE and its branches abolished the approval procedure of remittance and exchange settlement of proceeds raised overseas from the overseas-listed foreign shares of domestic companies.

The Provisions on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors (合格境外機構投資者境內證券投資外匯管理規定) provide that the Chinese government shall adopt a quota management system on the investments in domestic securities by the qualified foreign institutional investors. SAFE implements the administration of filing and approval on the investment quota of the individual qualified foreign institutional investors.

Information Disclosure

The Notice on the Relevant Issues Regarding the Information Disclosure of Securities Companies (關於證券公司信息公示有關事項的通知), promulgated by the CSRC and came into effect on July 25, 2006, requires a securities company to disclose information such as basic situation, operating branches, business license type, products and senior management through the websites of the Securities Association of China and the securities company, etc.

The Rules on the Content and Format of Annual Reports of Securities Companies (證券公司年度報告內容與格式準則), which came into effect on January 1, 2014, require a securities company to prepare its annual report as required under these rules and submit the annual report to the CSRC within 4 months after the end of each financial year. Other than this requirement, a securities company that has publicly issued its securities shall also prepare and disclose its annual reports in accordance with the relevant information disclosure provisions for companies with public issuance of securities. A securities company that has not publicly issued securities shall prepare and publicly disclose the information as required under these rules as well as the text of its audit report and its audited financial statements (excluding the notes).

The Provisions on Strengthening the Supervision and Administration of Listed Securities Companies (關於加強上市證券公司監管的規定), amended and came into effect on June 30, 2010, stipulate that regular reports and ad hoc reports of listed securities companies shall be timely disclosed in accordance with the requirements within the prescribed period of time. And listed securities companies shall also establish a sound information management system in accordance with the characteristics of the securities industry in China, the specific conditions of the company and the general regulations regarding disclosure of information by listed companies.

Anti-money Laundering

Securities companies shall comply with the requirements related to anti-money laundering stipulated in the Anti-money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法) which came into effect on January 1, 2007, the Provisions on Anti-money Laundering of Financial Institutions (金融機構反洗錢規定) which came into effect on January 1, 2007, the Administrative Measures on Reporting of Large Amount Transactions and Suspicious Transactions of Financial Institutions (金融機構大額交易和可疑交易報告管理辦法) which came into effect on March

1, 2007, amended on December 28, 2016 and shall come into effect on July 1, 2017, the Measures on Administration of Identification of Clients and Preservation of Client Identity Information and Trading Records of Financial Institutions (金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法) which came into effect on August 1, 2007, and the Guidelines for Risk Assessment of Money Laundering and Financing of Terrorism and for Client Classification Management in Financial Institutions (金融機構洗錢和恐怖融資風險評估及客戶分類管理指引) which came into effect on January 5, 2013.

The Measures on the Anti-money Laundering by Securities and Futures Industry (證券期貨業反洗錢工作實施辦法), which came into effect on October 1, 2010, further stipulate the anti-money laundering regulations for the securities and futures industry, as well as the anti-money laundering responsibilities of the institutions engaging in sales of funds business. Securities and futures entities shall establish and enhance internal control systems for anti-money laundering. In addition, securities companies shall comply with the requirements of the Anti-Money Laundering Guidelines for Securities Companies (證券公司反洗錢工作指引) which came into effect on April 28, 2014, and implement anti-money laundering measures with due consideration given to respective business features and practical conditions.

Anti-terrorism

Pursuant to the Administrative Measures on Freezing of Assets Involving Terrorist Activities (涉及恐怖活動資產凍結管理辦法) which came into effect on January 10, 2014, financial institutions and special non-financial institutions established in the PRC shall freeze the related assets strictly in accordance with the list of terrorist organizations and list of persons involving in terrorism as well as the decisions to freeze assets issued by the Ministry of Public Security.

The International Convention for the Suppression of the Financing of Terrorism (制止向恐怖主義提供資助的國際公約) was adopted by resolution 54/109 of December 1999 at the Fifty-fourth session of the General Assembly of the United Nations. The convention appeals for enhancement of international cooperation between countries to formulate and adopt effective measures to prevent financing the terrorism as well as suppressing terrorism through prosecuting and punishing terrorist acts. The PRC Government ratified this convention in 2006 with reservations.

Anti-corruption

The Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法), which came into effect on December 1, 1993, requires that business dealers be prohibited from using properties or other means for bribing in order to sell or purchase commodities. Serious offenders shall be subject to criminal liabilities under the law. The Interim Provisions on the Prohibition of Commercial Bribery Behavior issued by the State Administration for Industry and Commerce (國家工商行政管理局關於禁止商業賄賂行為的暫行規定), which came into effect on November 15, 1996, further stipulated the constitution and legal liabilities of commercial bribery.

The United Nations Convention against Corruption (聯合國反腐敗公約) was adopted by the General Assembly of the United Nations on October 31, 2003. The convention aims to promote and enhance various measures for preventing and combating corruption in a more effective and powerful

way, and to promote, facilitate and support international cooperation and technical assistance in preventing and combating corruption, including asset recovery, encouraging integrity, accountability and proper management of public affairs and properties. The PRC Government ratified this convention in 2005 with reservations.

Regulatory Reforms and Innovations

In recent years, the PRC Government has deepened reforms, further simplified and deregulated administrative measures, the State Council and the CSRC have promulgated a number of regulations to promote the reforms and innovations of the securities industry.

Pursuant to Certain Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (國務院關於進一步促進資本市場健康發展的若干意見) which came into effect on May 8, 2014, a multi-tiered stock market shall be developed by actively and steadily promoting the reform of share offer system into a registration system, speeding up the establishment of a multi-tiered equity market and encouraging market-driven merger and acquisition and restructuring activities; a private equity market shall be cultivated by establishing a sound private equity offering system and developing private equity investment funds; and the capital market shall be further opened up by facilitating cross-border investment and financing of domestic and foreign entities, gradually improving the level of opening-up in the securities and futures industry and enhancing the cooperation in cross-border regulation.

According to the Opinions on Further Promoting the Innovative Development of Securities Operation Institutions (關於進一步推進證券經營機構創新發展的意見) which came into effect on May 13, 2014, modern investment banks shall be constructed by, inter alia, enhancing integrated financial service capabilities, improving basic functions, broadening financing channels, developing cross-border business and enhancing compliance and risk control standards. Business and product innovation shall be supported by, inter alia, promoting the development of asset management business, supporting the launching of fixed-income, foreign currencies and commodities businesses, supporting innovations in financing business, conducting derivatives business in a stable and proper manner, developing OTC services and supporting self-development of private equity products. Regulatory transformation shall be facilitated by, inter alia, changing the regulatory mode, deepening examination and approval reforms, relaxing industry access and implementing business license administration.

In recent years, the State Council has promulgated a series of regulations on cancelling and adjusting the items requiring administrative reviews and approvals for, inter alia, the securities industry, including but not limited to cancellation of the approval requirement for appointment qualifications of persons in charge of domestic branches of securities companies, cancellation of review and approval requirements for the borrowing or issuance, repayment or clearance of subordinated debts by securities institutions, and cancellation of the review and approval requirements for new trading items listed on a stock exchange.

With the deepening of regulatory reforms and innovations in the securities industry, the regulatory authorities in the PRC has adopted the philosophy of relaxing prior approval while enhancing in-process and post-event supervision, and continued to promote the transformation of regulation pattern of the securities markets in China. The regulatory reform leads to a surge of

innovative products and services and has also brought about new market risk and market volatility at the same time. As a result, the regulatory authorities have requested securities firms to strengthen their overall risk management and new regulations and rules are kept being promulgated from time to time to adjust the market order.

OVERVIEW OF REGULATORY ENVIRONMENT IN HONG KONG

Introduction

The SFO (including its subsidiary legislation) is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, intermediaries and their conduct of regulated activities. In particular, Part V of the SFO governs licensing and registration matters.

The SFO is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank leveraged foreign exchange market in Hong Kong.

In addition to the SFO, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (including its subsidiary legislation) empowers the SFC to approve the prospectus for offerings of shares and debentures and/or grants the relevant waivers.

Types of regulated activities

The SFO promulgates a comprehensive licensing regime where a person only needs one licence or registration to carry on different types of regulated activities as defined in Schedule 5 to the SFO. As of the Latest Practicable Date, the following subsidiaries of Guotai Junan International are licensed under the SFO to carry out the regulated activities as set out below:

Name	Type of licence
Guotai Junan Assets (Asia) Limited	• Type 1: Dealing in securities • Type 4: Advising on securities • Type 9: Asset management
Guotai Junan Capital Limited	• Type 6: Advising on corporate finance
Guotai Junan Fund Management Limited	• Type 1: Dealing in securities • Type 4: Advising on securities • Type 9: Asset management
Guotai Junan Futures (Hong Kong) Limited	• Type 2: Dealing in futures contracts • Type 5: Advising on futures contracts
Guotai Junan FX Limited	• Type 3: Leveraged foreign exchange trading
Guotai Junan Securities (Hong Kong) Limited	• Type 1: Dealing in securities • Type 4: Advising on securities

In addition to the licences above granted to the subsidiaries of Guotai Junan International by the SFC, Guotai Junan Finance (Hong Kong) Limited also holds a money lender license issued by the licensing court under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), which allows it to provide loans to its clients in its ordinary course of business.

Overview of Licensing Requirements

Under the SFO, any person who:

(a) carries on a business in a regulated activity; or

(b) holds itself out as carrying on a business in a regulated activity,

must be licensed under the relevant provisions of the SFO for carrying on such regulated activity, unless one of the exceptions under the SFO applies. It is a serious offence for a person to conduct any regulated activity without holding the relevant licence.

In addition, if a person (whether by itself or another person on its behalf, and whether in Hong Kong or from a place outside of Hong Kong) actively markets to the public in Hong Kong any service that it provides and such service, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

For a corporation which is licensed to carry out regulated activities, it must appoint no less than two responsible officers, at least one of whom must be an executive director, to oversee the business of the regulated activities. An executive director of a licensed corporation must be a director who actively participates in, or is responsible for directly supervising, any business of the regulated activities for which the corporation is licensed to carry out. An executive director who is an individual must be approved by the SFC to serve as the responsible officer of such regulated activities of the corporation.

In addition to the licensing requirements on corporations, any individual who:

(a) performs any regulated function for his principal which is a licensed corporation in relation to a regulated activity carried on as a business; or

(b) holds himself out as performing such regulated function,

must be licensed separately under the SFO as a licensed representative accredited to his principal.

A person applying for licenses under the SFO must satisfy, and continue to satisfy after the grant of such licenses by the SFC, that he is a fit and proper person to be so licensed. The fit and proper person requirement generally means that an applicant must be financially sound, competent, honest, reputable and reliable. In assessing whether an applicant is a fit and proper person, the SFC will consider, among others, the following factors:

(i) the financial status or solvency of the applicant;

(ii) the educational or other qualifications or experience of the applicant having regard to the nature of the functions to be performed;

(iii) the ability of the applicant to carry on the regulated activities competently, honestly and fairly; and

(iv) the reputation, character, reliability and financial integrity of the applicant.

The above factors will also be considered by the SFC in respect of any officer of the applicant where the applicant is a corporation.

Ongoing Obligations of Licensed Corporations

It is the continuing obligation of licensed corporations, licensed representatives and responsible officers to remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its ancillary rules and regulations, as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key continuing obligations of a licensed corporation:

- maintenance of minimum paid-up share capital and liquid capital, and submission of financial returns to the SFC, in accordance with the requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) (the "Financial Resources Rules");

- maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong);

- maintenance of segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong);

- issuance of contract notes, statements of account and receipts, in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q of the Laws of Hong Kong);

- maintenance of records in accordance with the requirements prescribed under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong);

- submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong);

- maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong);

- payment of annual fees and submission of annual returns to the SFC within one month after each anniversary date of the licence;

- notification to the SFC of certain changes and events, in accordance with the requirements under Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong);

- compliance with the continuous professional training requirements under the Guidelines on Continuous Professional Training issued by the SFC;

- implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record keeping, identification and reporting of suspicious transactions and staff screening, education and training, in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC in April 2015 (the "AML & CTF Guideline"); and

- compliance with the business conduct and internal control requirements under Code of Conduct for Persons Licensed by or Registered with the SFC, Corporate Finance Adviser Code of Conduct, Fund Manager Code of Conduct, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC, the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes, the Guidelines on Disclosure of Fees and Charges Relating to Securities Services and other applicable guidelines issued by the SFC.

Securities and Futures (Financial Resources) Rules

Subject to certain exemptions described below, a licensed corporation is required to maintain a prescribed level of minimum paid-up share capital. The following table sets out a summary of the minimum paid-up share capital requirements applicable to the licensed subsidiaries of Guotai Junan International in Hong Kong:

Minimum amount of paid-up share capital	Regulated activities	Names of the licensed subsidiaries
HKD 30,000,000	• Leveraged Foreign Exchange Trading	• Guotai Junan FX Limited
HKD 10,000,000	• Dealing in Securities	• Guotai Junan Securities (Hong Kong) Limited
HKD 10,000,000	• Advising on Corporate Finance	• Guotai Junan Capital Limited
HKD 5,000,000	• Dealing in Securities	• Guotai Junan Assets (Asia) Limited

Minimum amount of paid-up capital	Regulated activities	Names of the licensed subsidiaries
		• Guotai Junan Fund Management Limited
HKD 5,000,000	• Dealing in Futures Contracts • Advising on Futures Contracts	• Guotai Junan Futures (Hong Kong) Limited
HKD 5,000,000	• Advising on Securities	• Guotai Junan Securities (Hong Kong) Limited • Guotai Junan Assets (Asia) Limited • Guotai Junan Fund Management Limited
HKD 5,000,000	• Asset Management	• Guotai Junan Assets (Asia) Limited • Guotai Junan Fund Management Limited

Other than minimum paid-up share capital requirements, the Financial Resources Rules also stipulate that, a licensed corporation is required to maintain minimum amount of liquid capital, which is the amount by which its liquid assets exceeds its ranking liabilities in relation to a licensed corporation. Pursuant to the Financial Resources Rules, the minimum amount of liquid capital applicable to the licensed subsidiaries of Guotai Junan International in Hong Kong shall be the higher of the amount of (a) and (b) below:

(a) the amount of:

Minimum amount of liquid capital required	Regulated activities
HKD15,000,000	Leveraged foreign exchange trading
HKD3,000,000	Dealing in securities
HKD3,000,000	Dealing in futures contracts
HKD3,000,000	Advising on futures contracts
HKD3,000,000	Advising on securities
HKD3,000,000	Advising on corporate finance
HKD3,000,000	Asset management

(b) variable required liquid capital

- in relation to a licensed corporation licensed for Type 3 regulated activity (whether or not it is also licensed for any other regulated activities), means the sum of the basic amount and 1.5% of its aggregate gross foreign currency position; or

- in relation to a corporation licensed for any regulated activities other than Type 3 regulated activity, means 5% of the aggregate of (i) its adjusted liabilities; (ii) the aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients; and (iii) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to payment of initial margin requirements.

Anti-money Laundering and Counter-terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the AML & CTF Guideline, and the Prevention of Money Laundering and Terrorist Financing Guideline issued by the SFC for Associated Entities published by the SFC in April 2012.

The AML & CTF Guideline provides guidance to licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Pursuant to the AML & CTF Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are offered to the market and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;

- identify the client and verify the client's identity using reliable, independent source documents, data or information, and take steps from time to time to ensure that the client information is up-to-date and relevant;

- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transaction that have no apparent economic or lawful purpose and may indicate money laundering and terrorist financing;

- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to it, as well as comprehensive on-going screening of the client database; and

- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money laundering.

We set out below a brief summary of the principal legislation of the anti-money laundering and counter-terrorist financing regulatory regime in Hong Kong.

Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) ("AMLO")

Among other things, the AMLO imposes requirements relating to client due diligence and record-keeping and provides regulatory authorities with the powers to supervise compliance with the requirements under the AMLO. In addition, the regulatory authorities are empowered to (i) ensure that proper safeguards exist to prevent contravention of specified provisions in the AMLO and (ii) mitigate money laundering and terrorist financing risks.

Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) ("DTROP")

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities. It is an offence under the DTROP if a person deals with any property knowing, or having reasonable grounds to believe, it to be the proceeds from drug trafficking. The DTROP requires a person to report to an authorized officer if he/she knows or suspects that any property (directly or indirectly) is the proceeds from drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offence under the DTROP.

Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) ("OSCO")

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs and Excise Department to investigate organized crime and triad activities, and it gives the Courts jurisdiction to confiscate the proceeds from organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences. The OSCO extends the money laundering offence to cover the proceeds of all indictable offences in addition to drug trafficking.

United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) ("UNATMO")

Among other things, the UNATMO provides that it is a criminal offence to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The UNATMO also requires a person to report his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offence under the UNATMO.

THE U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT ("*FATCA*")

The United States has enacted rules commonly referred to as FATCA which target U.S. taxpayers' use of non-U.S. accounts to evade U.S. federal tax. FATCA seeks to obtain information about accounts held by U.S. taxpayers in other countries by requiring non-U.S. financial institutions ("*FFIs*") either to (i) enter into an agreement with the U.S. Internal Revenue Service (the "*IRS*") to

report to the IRS certain information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a minimum ownership interest (a "*FATCA Agreement*") or (ii) comply with the requirements of an intergovernmental agreement between the United States and the government of the country in which the FFI conducts business operations (an "*IGA*").

FATCA imposes a 30% withholding tax on payments of certain income, including dividends and interest, from U.S. sources and, beginning in 2019, the gross proceeds of the disposal of assets that produce such U.S. source income, unless the recipient FFI has entered into a FATCA Agreement or is otherwise exempt or deemed complaint with FATCA, including by reason of compliance with the requirements of an applicable IGA and any implementing legislation. Beginning with payments made after the later of January 1, 2019 and the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published in the U.S. Federal Register, an FFI also may be required to withhold under FATCA in respect of "foreign passthru payments" made (i) to other FFIs that are not exempt from or in actual or deemed compliance with FATCA or (ii) to persons that are account holders of such FFI that fail to provide information sufficient to determine whether such person is exempt from FATCA withholding. FFIs or branches of FFIs established in a jurisdiction that has entered into an IGA, and which are treated as in compliance with the requirements of such IGA and any implementing legislation, generally are not subject to withholding under FATCA on any payments they receive and are not expected to be required to withhold under FATCA or the relevant IGA on payments made to their account holders or other FFIs.

The governments of the United States and Hong Kong have entered into an IGA under which Hong Kong FFIs will register with the IRS and report the information required by FATCA about consenting U.S. accounts directly to the IRS. This information reporting requirement is supplemented by a government-to-government exchange of information agreement. The governments of the United States and the PRC have agreed in substance to an IGA under which PRC FFIs will report the information required under FATCA about U.S. accounts to the PRC government, which in turn will report the information to the IRS. IGAs in other jurisdictions may also be applicable to our subsidiaries.

We and each of our subsidiaries intend to comply with FATCA and any applicable IGA, including the information reporting requirements related to our accountholders and investors.

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "*Appendix IV—Taxation and Foreign Exchange*". This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain major differences between PRC and Hong Kong company laws, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution and is composed of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Judicial decisions do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC formulates and amends basic laws governing criminal and civil matters, state organs and other matters. The Standing Committee of the NPC formulates and amends other laws other than those required to be enacted by the NPC and supplements and amends any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments shall be not in conflict with the basic principles of such laws.

The State Council is the highest administrative authority of the PRC and has the power to formulates administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual demands of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office, and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual demands of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. However, if there are separate provisions by laws on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees

of the people's congresses of the relevant provinces or autonomous regions. The people's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The people's governments of the provinces, autonomous regions and municipalities directly under the Central Government as well as cities divided into districts and autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities. The people's governments of cities divided into districts and autonomous prefectures may only formulate local regulations in respect of urban and rural construction and management, environmental protection and historical and cultural protection. Local government regulations which have been enacted involving aspects other than those described above shall continue to be in effect.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within the administrative areas of the provinces and the autonomous prefectures.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or separate regulations which have been approved by the standing committees of the people's congresses of any provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate rules and regulations of departments and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of the local people's congresses have the power to annul any inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Resolutions of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, all laws or legal provisions that need to be further defined or supplemented shall be interpreted by the Standing Committee of the NPC or regulated in decrees.

Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee of the NPC for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

PRC Judicial System

Under the Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is composed of the Supreme People's Court, the local People's Courts, military courts and other special People's Courts.

The local People's Courts are composed of the primary People's Courts, the intermediate People's Courts and the higher People's Courts. The primary People's Courts may organize criminal division, civil division and economic division. The intermediate People's Courts have similar divisions to those of the primary People's Courts, and can set up other tribunals when necessary.

The People's Court at a higher level shall supervise the judicial work carried out by the People's Court at a lower level. The Supreme People's Court is the highest judicial body in the PRC which is empowered to supervise the judicial administration of the People's Courts at all levels. The people's procuratorate shall also be entitled to exercise supervision rights over the judicial activities done by the People's Court.

The People's Courts apply a two-tier appellate system. A party may appeal against a judgment or ruling of a local People's Court to the People's Court at the next higher level. Second judgments or rulings given at the next higher level are final. First judgments or rulings of the Supreme People's Court are also final. However, if the Supreme People's Court or a People's Court at a higher level finds an error in a legally effective judgment which has been given in any People's Court at a lower level, or the president of the People's Court finds an error in a legally effective judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》), which was promulgated in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the People's Courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC

must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by written agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either within the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or within the place of the object of the action and other place which has actual connection with the dispute, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a People's Court or an award made by an arbitration panel in the PRC, the other party may apply to the People's Court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a People's Court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. If a legally effective judgment or order made by a foreign court requires recognition and enforcement by a People's Court of the PRC, the party concerned may directly apply to the People's Court of the PRC for recognition and enforcement, or the foreign court concerned may request a People's Court for recognition and enforcement in accordance with the provisions of the international treaties entered into or acceded to by the PRC or under the principle of reciprocity. Upon the examination, the People's Court shall recognize the validity of the judgment or order if it considers that it will not contravene the basic principles of the laws of the PRC nor violates national sovereignty, security or social and public interests; if enforcement is required, a writ of enforcement will be issued in accordance with the relevant regulations. If the judgment or order contravenes the basic principles of the laws of the PRC or violates national sovereignty, security or social and public interests, the People's Court shall not recognize and enforce it.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the PRC Company Law, which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on March 1, 2014;

- the Special Regulations, which were promulgated by the State Council on August 4, 1994 pursuant to the relevant provisions of the PRC Company Law, and are applicable to the overseas share subscription and listing of joint stock limited companies; and

- the Mandatory Provisions, which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in "*Appendix VII — Summary of Articles of Association*". Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A state-owned enterprise that is restructured into a company must comply with the specific laws and administrative regulations for the modification of its operation mechanisms, the handling and evaluation of the company's assets and liabilities and the establishment of internal management organs.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. Companies incorporated by promotion are companies with the total number of shares entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for part of the total number of shares of a company, and the remaining shares can be offered to the public or specific persons. If companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and administrative regulations. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC Government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

According to the Securities Law of the PRC, the total share capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

The promoters of a joint stock limited company must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before convening the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the company registration authority for registration of the establishment of the joint stock limited company. A company is formally established and has the status of a legal person once the business license has been issued by the relevant company registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign the prospectus to ensure that the prospectus does not contain any misrepresentations, seriously misleading statements or material omissions, and assume joint and several responsibility for it.

Allotment and Issue of Shares

All issuance of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as overseas listed and foreign invested shares. Shares issued to investors within the PRC by joint stock limited companies, which also issue overseas listed and foreign shares, are known as domestic shares. Upon approval of the CSRC, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares shall be issued in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Increase of Share Capital

According to the PRC Company Law, when a joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the date and deadline of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When a company launches a public issuance of new shares with the approval of the CSRC, it shall publish a new prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the resolution approving the reduction of registered capital shall be passed by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may be entitled to require the company to pay off its debts or provide corresponding guarantees covering the debts within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received; and
- it shall apply to the relevant industry and commerce administration for the alteration registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to repurchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall be approved by a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of purchase in the case of (i) above or transferred or cancelled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

A joint stock limited company may not accept the shares of the Company as subject of pledge right.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders of a joint stock limited company shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No registration of changes in the share register caused by transfer of registered shares shall be carried out within twenty days prior to the convening of shareholders' general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on registration of changes in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no registration of changes in the share register caused by transfer of shares shall be carried out within thirty days prior to convening of shareholders' general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from the company. The articles of association may have other restrictions on the transfer of shares held by the directors, supervisors and senior managers.

Amendment of the Articles of Association

According to the PRC Company Law, the company may amend its articles of association according to the laws, administrative regulations and provisions of the articles of association. Shareholders' general meeting exercises the power to amend the joint stock limited company's articles of association. The resolution of a shareholders' general meeting regarding any amendment to the company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders present at the meeting. The board of directors is responsible to the shareholders' general meeting and exercises power including formulating the proposed amendments to the company's articles of association. According to the Mandatory Provisions, the amendment of the articles of association involving the contents of the Mandatory Regulations will only be effective upon approval of the company examination and approval authority authorized by the State Council and of the CSRC. It must complete the registration of changes involving matters of the company registration in accordance with laws. The Special Regulations requires that the company must not modify or delete those provisions in the articles of association related to the mandatory provisions of the articles of association without authorization.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoils of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action before the People's Court to rescind resolutions passed by shareholders' general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of surplus assets of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription amount in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares, not to abuse rights of shareholders to the detriment of the interest of the company or other shareholders and not to abuse the Company's independent legal person status and limited liability of the shareholders to the detriment of the interest of the company's creditors, and any other shareholders' obligations specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the joint stock limited company, which exercises its power in accordance with the PRC Company Law. Under the PRC Company Law, the shareholders' general meeting exercises the following principal power:

- to decide on the company's operational policies and investment plans;
- to elect and change the directors and supervisors (served by representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the supervisory committee;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issuance of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an interim shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request;
- whenever the board of directors deems necessary;
- when the supervisory committee so proposes; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or does not perform his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or does not perform its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for more than 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholders' general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice in writing shall be delivered to all the registered shareholders 45 days in advance of the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholders' general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. Otherwise, the company shall, within five days, notify the shareholders again of the matters to be considered and date and venue of the meeting to shareholders by public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholders' general meeting, shareholders holding 5% or above of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholders' general meeting shall be placed on the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and/or the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issuance of any types of shares, warrants or other similar securities; (iv) the issuance of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; and (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected upon the expiry of his term of office. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors in his term of office results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following power:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed at shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- making decisions on the establishment of the Company's internal management bodies;
- to decide on the appointment or dismissal of company managers and their remuneration, and decide on the appointment or dismissal of deputy managers and person-in-charge of finance of the company based on the nomination by the managers as well as their remuneration;
- to formulate the company's basic management system; and
- any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or does not perform his duties, the duties shall be performed by the vice chairman on his behalf. In the event that the vice chairman is incapable of performing or does not perform his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of corruption, bribery, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Supervisory Committee

A joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company, the proportion of representatives of the employees shall not be less than one third of the supervisors. The specific proportion shall be stipulated in the articles of association. Representatives of the employees of the company in the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors. The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or does not perform his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or does not perform his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors in their term of office results in the number of supervisors being less than the quorum.

The supervisory committee exercises the following power:

- to review the company's financial condition;

- to supervise the directors and senior management in the performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders;

- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of interim shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meetings;

- to initiate proposals for resolutions to shareholders' general meetings;

- to initiate proceedings against directors and senior management; and

- other power specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of matters in board resolutions. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be responsible to the board of directors and may exercise the following power:

- to preside over the business and administration of the company and arrange for the implementation of resolutions of the board of directors;

- to arrange for the implementation of the company's annual business plans and investment proposals;

- to draw up the plan for the establishment of the Company's internal management bodies;

- to formulate the general administration system of the company;

- to formulate the company's detailed rules;

- to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;

- to appoint or dismiss administration officers (other than those required to be appointed or dismissed by the board of directors); and

- other powers conferred by the board of directors or the articles of association.

The manager shall also comply with other provisions of the articles of association concerning his power. The manager shall attend board meetings.

According to the PRC Company Law, senior management refers to the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

According to the PRC Company Law, Directors, supervisors and senior management of the company shall comply with the relevant laws, regulations and the articles of association, and have the faithful and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their power to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management of the company are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets without authorization in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or dealing with the company without authorization in violation of the articles of association or without prior approval of the shareholders' general meeting;
- unauthorized using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior consent of the shareholders' general meeting;
- accepting and possessing commissions paid in transaction conducted between a third party and the company;
- unauthorized divulgence of business secret of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management official who contravenes any law, regulation or the provisions of the articles of association in the performance of his duties resulting in any loss to the company shall be liable for compensating the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each accounting year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the joint stock limited company's financial and accounting reports shall be available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company publicly issuing shares must also publish its financial and accounting reports.

When distributing the year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the aggregate amount of fund has reached 50% of its registered capital's amount).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit. The premium received through issuance of shares at issuing prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, accounting books, financial and accounting reports and other accounting data to the accounting firm it engages without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall engage an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from its appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the capital reserve fund is provided. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive dividends and other distributions payable in respect of their overseas listed and foreign invested shares on behalf of such shareholders.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations provided in the articles of association has expired or other causes of dissolution provided in the articles of association have occurred; (ii) the shareholders' general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked according to the laws; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the People's Court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders' interests.

In the event of (i) above, the company may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of such event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors of the company may apply to the People's Court, requesting the court to appoint relevant personnel to form the liquidation group. The People's Court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following power during the liquidation period:

- to dispose the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or People's Court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before payments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to pay off its liabilities, it must apply to the People's Court for a declaration of bankruptcy according to relevant laws.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the People's Court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the People's Court for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of the company's termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their power to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company or its creditors in respect of their losses arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed foreign shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issuance within 15 months after obtaining the approval from the CSRC.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a People's Court for a declaration that such certificate will no longer be valid. After the People's Court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Merger and Demerger

According to the PRC Company Law, companies may merge through absorption or the establishment of a new entity. If it merges by absorption, the company which is absorbed shall be dissolved. If the companies merge by forming a new corporation, then both companies shall be dissolved.

For corporate merger, all parties to the merger shall enter into a merger agreement and prepare balance sheets and checklists of assets. The companies involved shall, within ten days after the decision of merger, notify the creditors, and shall make a newspaper announcement within 30 days.

The creditors may, within 30 days after the receipt of the notice or (if it fails to receive a notice) within 45 days after the announcement, require the company to settle its debts or to provide guarantees. Upon the merger, the credits and debts of the companies involved shall be succeeded by the surviving company or by the newly established company.

For division of a company, the property of the company shall be divided properly, and balance sheets and checklists of assets shall be prepared. The company shall, within ten days after the decision of division, notify the creditors and make a newspaper announcement within 30 days. The companies after division shall jointly bear liabilities for the debts of the former companies before division, unless it is otherwise prescribed by written agreements entered into between the companies and their respective creditors for the settlement of debts before the division.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations relating to the issue and trading of shares and disclosure of information of the Joint Stock Limited company. The PRC Securities Law took effect on July 1, 1999 and was last revised on August 31, 2014. It is currently undergoing a new round of revisions. The PRC Securities Law is the first national securities law in the PRC, and comprehensively regulates activities in the PRC securities market. It is divided into 12 chapters and 240 articles regulating, among other things, the issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. Article 238 of the PRC Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's securities regulatory authorities to list its shares outside the PRC. Currently, the issuance and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the People's Court will refuse to accept the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer to the effect that whenever any disputes or claims arise (i) between holders of H Shares and the issuer; (ii) between holders of H Shares and the issuer's directors, supervisors, managers or other senior management officials; and (iii) between holders of H Shares and holders of domestic shares, such disputes shall be resolved through arbitration. Matters in arbitration include any disputes or claims of rights in relation to the issuer's affairs as a result of any rights or obligations arising under its articles of association, the PRC Company Law and other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim of rights or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim of rights or whose participation is necessary for the resolution of such dispute or claim of rights, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center (the "HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim of rights to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》) amended on November 4, 2014 and implemented on January 1, 2015, the China International Economic and Trade Arbitration Commission shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The China International Economic and Trade Arbitration Commission is located in Beijing and it has set up several branches or centers such as in Shenzhen, Shanghai, Tianjin, Chongqing and Hong Kong.

Under the Arbitration Law and PRC Civil Procedure Law (《中華人民共和國民事訴訟法》), an arbitral award is final and binding on the parties. If a party fails to comply with an arbitral award, the other party may apply to the People's Court for enforcement. A People's Court shall order the cancellation of an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or exceeds the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the New York Convention adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the New York Convention in the PRC that (i) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territory of another contracting state on the principle of reciprocity; and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

Agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by the Mainland arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitral awards are also enforceable in the Mainland.

OVERSEAS DIRECT INVESTMENT REGULATIONS

Pursuant to the Regulations on the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM which became effective on October 6, 2014, enterprises shall obtain approval from or register with the commerce authorities for conducting overseas investment according to such regulations.

Pursuant to Regulations on Foreign Exchange Administration of Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE which became effective on August 1, 2009, upon obtaining approval for overseas investment, a PRC enterprise shall apply for foreign exchange registration for its overseas direct investments. According to the SAFE Notice promulgated by the SAFE, which came into effect on June 1, 2015, the administrative approval for foreign exchange registration approval under overseas direct investment has been cancelled, and the banks are entitled to review and carry out foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

In accordance with the Administrative Measures for Verification and Registration of Overseas Investment Projects (《境外投資項目核准和備案管理辦法》) amended by the NDRC and took effect on December 27, 2014, overseas investment projects involving sensitive countries and regions or sensitive industries shall be examined and approved by the NDRC. Overseas investments of US$2 billion or above by Chinese investors are subject to the approval of the State Council after being examined by the NDRC. Other overseas investment projects shall be subject to recordation administration.

According to the PRC Securities Law (《中國證券法》) and the Regulations for Supervision and Administration of Securities Companies (《證券公司監督管理條例》) as amended and took effect on July 29, 2014, domestic securities companies in the PRC which establish or acquire securities operation entities overseas or purchase equity interest in securities operation entities overseas are required to make an application to the CSRC for approval.

According to the Measures for Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》) promulgated and took effect on October 29, 2014, domestic futures companies in the PRC which apply for establishing or acquiring futures operation entities overseas or purchasing equity interest in futures operation entities overseas are required to satisfy the relevant conditions and make an application to the CSRC for approval.

According to the CSRC Rules Concerning the Establishment of Offices in Hong Kong by Securities and Investment Fund Management Companies (《中國證券監督管理委員會關於證券投資基金管理公司在香港設立機構的規定》) promulgated and took effect on April 8, 2008, domestic securities and investment fund management companies in the PRC which establish offices in Hong Kong, purchase equity interest in asset management companies in Hong Kong region, establish offices or purchase equity interest in asset management companies located in other countries and regions that had entered into a memorandum of regulatory cooperation with the CSRC, are required to make an application to the CSRC for approval.

ANTI-MONEY LAUNDERING REGULATIONS

The Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including supervision over anti-money laundering, formulation of rules and regulations regarding anti-money laundering activities of financial institutions, monitoring and inspection of the anti-money laundering practice of financial institutions and investigations on suspicious transactions within their respective scope of authority. The persons in charge of the financial institutions shall be responsible for the effective implementation of internal control system regarding anti-money laundering. Financial institutions shall establish a client identification system and a system for keeping clients' identity information and transaction records, as well as a report system for transactions involving large sums of money and for dubious transactions according to applicable requirements.

Pursuant to the Anti-money Laundering Regulations for Financial Institutions (《金融機構反洗錢規定》) promulgated by the PBOC which became effective on January 1, 2007, financial institutions and their branches are required to establish a comprehensive internal control system for anti-money laundering, and set up a special anti-money laundering department or designate an internal department to implement the anti-money laundering measures, formulate internal anti-money laundering operating procedures and control measures and organize anti-money laundering training for staff to enhance their anti-money laundering capability.

Pursuant to the Measures on the Administration over Client Identification and Maintenance of Client Identity Materials and Transaction Records of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) promulgated jointly by the PBOC, CBRC, CSRC and CIRC which became effective on August 1, 2007, financial institutions are required to establish a client identification system, maintain records for the identities and data of relevant transactions of all clients and keep all retail transaction documents and record books.

Pursuant to the Administrative Measures on Reporting Large-Sum Transactions and Dubious Transactions of Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》) promulgated by the PBOC which became effective on March 1, 2007, amended on December 28, 2016 and shall come into effect on July 1, 2017, upon the detection of any transactions involving large sums of money or dubious transactions by the financial institutions, the head office or the designated department of the financial institutions shall electronically report such transactions to the China Anti-money Laundering Monitoring and Analysis Center.

The Implementation Measures on the Anti-money Laundering by Securities and Futures Industry (《證券期貨業反洗錢工作實施辦法》) promulgated by CSRC which became effective on October 1, 2010, further specifies the anti-money laundering regulations for the securities and futures industry, as well as the anti-money laundering responsibilities of the institutions engaging in sales of funds in their business operation. Securities and futures entities shall establish internal control systems for anti-money laundering.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the [REDACTED] of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the [REDACTED] of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares, after the [REDACTED].

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be

given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least 20 days before the date of the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VII—Summary of Articles of Association.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20% of each of the existing A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements, and (iii) where the Company issues and lists its H shares overseas, upon receiving the approval of the State Council or the securities regulatory authorities under the State Council, our shareholders may liquidate the unlisted shares they hold for dealing in overseas.

Derivative Action By Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a

condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favour of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the CAS, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the CAS.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results

in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Hong Kong Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN THE HONG KONG LISTING RULES AND SSE LISTING RULES

As our A Shares are listed on the Shanghai Stock Exchange, we are also subject to the SSE Listing Rules. Set out below is a summary of certain differences between the Hong Kong Listing Rules and SSE Listing Rules:

- *Periodic financial reporting*

There are material differences in financial reporting standards and practices regarding, for examples, industry-specific financial reporting requirements, announcement of preliminary results, form and content of periodic financial reports and post-vetting of periodic financial reports.

- *Classification and disclosure requirements for notifiable transactions*

The method of classification of notifiable transactions under the Hong Kong Listing Rules and the disclosure requirement pertaining to such transactions differ from those under the SSE Listing Rules.

- *Connected transactions*

The definition of a connected person under the Hong Kong Listing Rules and the definition of a related party under the SSE Listing Rules are different. In addition, the disclosure and shareholder approval requirements for connected transactions under the Hong Kong Listing Rules and for related party transactions under the SSE Listing Rules, as well as the respective exemptions are different.

- *Disclosure of inside information*

The scope, timing and method of disclosure of inside information are different between the Hong Kong Listing Rules and SSE Listing Rules.

Set out herein is a summary of the Articles of Association, the principal objective of which is to provide potential investors with an overview of the Articles of Association. As the information contained herein is in summary form, it may not contain all the information that is important to potential investors.

Scope of Business

Subject to the approval by the CSRC and the legal registration, the business scope of the Company is securities brokerage; proprietary securities trading; securities underwriting and sponsorship; securities investment consultation; financial advisory in relation to securities trading and securities investment activities; margin financing and securities lending; securities fund distribution; agency sale of financial products; intermediary services to futures firms; stock options market making; and other businesses approved by the CSRC.

According to the laws, administrative regulations as well as the relevant rules of the CSRC, the Company may also establish subsidiaries to engage in investment business including financial products etc.

SHARES

Issuance of Shares

The stock of the Company shall take the form of shares.

The Company shall have ordinary shares at all times. If required, upon approval by the authorities delegated by the State Council, the Company may create shares of other classes. Shareholders of different classes of the Company shall rank *pari passu* over dividends or any other forms of distribution.

The Company shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry same rights. The issue conditions and price per share of the same class in the same issue shall be the same; the same price shall be paid for each share of the same class during the same share issue subscribed for by any entities or individuals.

The Company may, with approval from the securities regulatory authorities under the State Council, issue shares to domestic and overseas investors. The Board of the Company may make separate arrangements for the implementation of any issuance plans for the offering of overseas-listed foreign shares and domestic shares by the Company as approved by the securities regulatory authorities under the State Council. Subject to the maximum number of shares proposed to be issued, the overseas-listed foreign shares and domestic shares issued by the Company respectively shall be fully subscribed for in one tranche. If the shares cannot be fully subscribed for in one tranche under special circumstance, the Company may issue the shares in several tranches, subject to approval of the securities regulatory authorities under the State Council.

Increase, Reduction and Repurchase of Shares

According to the operation and development needs of the Company, subject to the applicable laws and regulations, the Company may increase the registered capital by the following ways upon approval by separate resolution of the shareholders' general meetings.

(I) public issuance of shares;

(II) non-public issuance of shares;

(III) rights issue of new shares to existing shareholders;

(IV) bonus issue of new shares to existing shareholders;

(V) capitalization of surplus reserve;

(VI) any other way permitted by the laws and administrative regulations and the relevant regulatory authorities.

The capital increase of the Company by way of issuing new shares, subject to the approval as required in accordance with its Articles of Association and the listing rules of the place where the Company's shares are listed, shall be made according to the procedures as stated in the relevant laws and administrative regulations of the PRC.

The Company may reduce its registered capital, which shall be carried out in accordance with the procedures as stated in the Company Law, and other relevant regulations as well as its Articles of Association.

The Company may, according to the applicable laws, administrative regulations, departmental rules and the Articles of Association, repurchase its shares under the following circumstances:

(I) to reduce the registered capital of the Company;

(II) to merge with another company holding shares of the Company;

(III) to grant shares to employees of the Company as incentives;

(IV) to acquire shares held by dissident shareholders (if so requested) who vote against resolution proposed in shareholders' general meeting on the merger or division of the Company;

(V) other circumstances as permitted by laws and regulations.

The Company shall not engage in the trading of its shares save for the circumstances specified above.

Where the Company repurchases its own shares due to reasons as set out in item (I) to (III) above, it shall obtain the approval of the shareholders by a resolution at a shareholders' general meeting. After the Company repurchases its own shares as above, the shares in respect of the circumstance described in item (I) shall be cancelled within ten days from the date of repurchase; and those in respect of the circumstances described in item (II) and (IV) shall be transferred or cancelled within six months. The maximum number of shares repurchased by the Company pursuant to the above item (III) shall not exceed 5% of its total issued shares and shall be transferred to the employees within one year; and repurchase shall be funded out of the profit after tax of the Company.

The Company may repurchase its shares in one of the following manners:

(I) to make a general offer to repurchase shares from all shareholders in proportion to their shareholdings;

(II) to repurchase through open transaction in stock exchanges;

(III) to repurchase through over-the-counter agreement;

(IV) other means as permitted by the laws, administrative regulations and the relevant competent authorities.

Where the Company repurchases its shares through over-the-counter agreement, it shall seek prior approval of shareholders at general meeting in accordance with the Articles of Association. Upon prior approval granted in the same manner by shareholders in the shareholders' general meeting, the Company may discharge or amend any agreement entered into in the aforesaid manner or to waive any rights granted under such agreement.

Transfer of Shares

Unless otherwise specified by laws, administrative regulations and the listing rules in the place where the Company's shares are listed, the shares of the Company are transferrable free of lien. Transfer of overseas-listed foreign shares listed in Hong Kong shall be registered by the share registrar in Hong Kong entrusted by the Company.

The Company shall not accept any pledge of its shares.

The promoter shares of the Company are not allowed to be transferred within one year from the date of the establishment of the Company. Shares issued before the initial public offering of the Company shall not be transferred within one year from the day on which the shares of the Company are listed on a stock exchange.

Directors, supervisors and senior management of the Company shall notify the Company of their shareholdings in the Company and changes thereof. The number of shares transferred by directors, supervisors and senior management of the Company during their terms of office shall not be more than 25% of the total number of shares of the Company held by them. The shares of the Company held by

directors, supervisors and senior management of the Company shall not be transferred within one year from the day on which the shares of the Company are listed. The aforesaid persons shall not transfer the shares of the Company held by them within six months from the date of their resignation.

According to the relevant provisions of the Securities Law, where any director, supervisor, senior management of the Company and shareholder holding 5% or above of the Company's shares in issue sell his/her shares within a period of six months after their purchase, or repurchase shares in the Company within a period of six months after their disposal, the gains so earned shall belong to the Company. The board of directors of the Company shall demand such gains for the benefit of the Company. However, the six-month restriction shall not apply for a securities company that holds 5% or more of the Company's shares as a result of its underwriting of the untaken shares in an offer.

Financial Assistance for Purchase of the Company's Shares

The Company or its subsidiaries shall not, at any time or in any manner, provide any financial assistance to any person who acquires or intends to acquire the shares of the Company. However, the restriction shall not apply in the following circumstances:

(I) The financial assistance is provided by the Company for the interests of the Company in good faith, and the principal purpose of the financial assistance is not for the purchase of shares in the Company or is an incidental part of a plan of the Company;

(II) The lawful distribution of the Company's assets by way of dividends;

(III) The distribution of bonus shares as dividends;

(IV) A reduction of registered capital, a repurchase of shares or a reorganization of the capital structure of the Company in accordance with the Articles of Association;

(V) The provision of loan by the Company within its scope of business and in the ordinary course of operation (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company);

(VI) The provision of the fund by the Company as contribution to share option scheme of employees (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company).

Share Certificates and Register of Shareholders

The share certificates of the Company shall be in registered form and shall contain the following particulars:

(I) the name of the Company;

(II) the date of establishment of the Company;

(III) the class and par value of the shares and the number of shares represented by the certificate;

(IV) the serial number of the share certificate;

(V) any other particulars required by the Company Law and the stock exchange in the place where the Company's shares are listed.

The Company may issue overseas-listed shares in the form of depository receipts or other derivatives in accordance with the laws and the practice of registration and deposit of securities in the place of its listing.

The Company shall maintain a register of shareholders to record the following particulars of its shareholders:

(I) the name, address or domiciles, occupation or status of each shareholder;

(II) the class and number of shares held by each shareholder;

(III) the amount paid or payable on the shares held by each shareholder;

(IV) serial number of share certificates held by each shareholder;

(V) the date of registration;

(VI) the date of deregistration.

The Company may, pursuant to the understanding or agreement between the securities regulatory authorities under the State Council and overseas securities regulatory authorities, maintain the register of shareholders of overseas-listed foreign shares in any place outside China and entrust its administration to an overseas agency. The original register of shareholders of overseas-listed foreign shares listed in Hong Kong shall be maintained in Hong Kong.

The Company shall maintain a copy of the register of shareholders of overseas-listed foreign shares at the domicile of the Company. The overseas agent entrusted by the Company shall ensure that the original and duplicate of the register of shareholders of overseas-listed foreign shares are consistent at all times.

Where there is discrepancy between the original and duplicate of the register of shareholders of overseas-listed foreign shares, the original version shall prevail.

No transfer of share shall be registered within 30 days prior to the date of shareholders' general meeting or within 5 days before the record date set by the Company for the purpose of distribution of dividends. If the securities regulatory authorities at the place where the Company's shares are listed have special provisions, such provisions shall apply.

Any person who objects to the register of shareholders and requests to have his name entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.

Any registered shareholder or any person who claims to be entitled to have his/her name entered into the register of shareholders in respect of shares in the Company may, in the event that his/ her share certificate (i.e. the "Original Share Certificate") has been lost, apply to the Company to reissue a new share certificate for such shares (i.e. the "relevant shares").

SHAREHOLDERS AND GENERAL MEETING

Shareholders

The Company shall keep a shareholders' register according to the vouchers provided by the securities registration authority, which shall be conclusive evidence of the shareholding of a shareholder in the Company unless there is evidence to the contrary. A shareholder of the Company is a person who lawfully holds shares of the Company and has his/her name recorded in the register of shareholders. A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class of shares he/she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

In case of more than two persons are registered as joint holders of any shares, they shall be deemed as the common owners of the relevant shares, subject to the following restrictions:

(I) The Company shall not register more than four persons as the joint holders of any shares;

(II) All joint holders of any shares shall have the several and joint liability to pay all the payables related to the shares;

(III) In the event that one of the joint holders deceased, only the surviving joint holders shall be deemed as the holders of the relevant shares. However, the board may request the provision of death certificate, which it thinks fit, for the purpose of amending the register of shareholders;

(IV) In respect of the joint holders of any shares, only the joint holder whose name stands first on the register of shareholders shall be entitled to receive the certificate of relevant shares and notice of the Company. Any notice so served shall be deemed as having served on all the joint holders of the relevant shares. Any of the joint shareholders may sign the proxy form and attend the shareholders' general meeting or exercise all of the voting rights attached to the relevant shares. However, if there are more than one joint shareholder, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s), and for this purposes, the seniority will be determined by the order in which their names stand in the register of members of the Company in respect of the relevant joint shareholding.

The holders of ordinary shares of the Company shall be entitled to the following rights:

(I) the right to dividends and other distributions in proportion to the number of shares held;

(II) the right to file a petition according to laws, to convene, chair and attend the shareholders' general meetings either in person or by proxy and exercise their corresponding voting right;

(III) the right to supervise the operation of the Company and to raise proposals and inquiries;

(IV) the right to transfer, donate or pledge their shares in accordance with laws, administrative regulations and the Articles of Association;

(V) the right to receive the relevant information in accordance with the Articles of Association, including:

1. the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;

2. being entitled to consult and copy after payment of reasonable fee:

(1) all parts of the register of shareholders;

(2) personal data of directors, supervisors, managers and other senior management of the Company, including:

(a) present and former name and alias;

(b) principal address or domiciles;

(c) nationality;

(d) primary and all other part-time occupations and duties;

(e) identification documents and the number thereof.

(3) the share capital of the Company;

(4) the latest audited financial statements of the Company and reports of the board, auditor and supervisory committee;

(5) the resolutions of shareholders' general meetings, the board and/or the supervisory committee of the Company;

(6) the reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount of cost incurred by the Company for this purpose, and their breakdown by domestic and foreign shares;

(7) any duplicate of the latest Annual Inspection Form filed with Chinese AIC or other competent authority;

(8) minutes of shareholders' general meetings;

(9) financial accounting reports.

(VI) the right to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held in the event of the termination or liquidation of the Company;

(VII) the right to demand the Company to acquire the shares held by them if they disagree with the resolution adopted at shareholder' general meeting on the merger or division of the Company;

(VIII) any other rights conferred by the laws, administrative regulations, departmental rules, listing rules of the place where shares of the Company are listed and its Articles of Association.

The Company shall not exercise any of its rights to freeze or otherwise impair any of the rights attached to the shares of the Company held by any person(s) only by the reason that such person or persons who are interested directly or indirectly therein have failed to disclose his/her interests to the Company.

If a resolution passed at the Company's shareholders' general meeting or board meeting violates the laws or administrative regulations, shareholders shall have the right to submit a petition to the People's Court to invalidate the resolution.

If the procedures for convening, or the voting at, a shareholders' general meeting or board meeting violate the laws, administrative regulations or the Articles of Association, or the resolution violates the Articles of Association, shareholders shall have the right to submit a petition to the People's Court to rescind such resolution within 60 days from the date of adoption of such resolution.

If a director or a senior management violates any laws, administrative regulations or the Articles of Association in performing his duties and causes losses to the Company, shareholders holding in aggregate 1% or more of the Company's shares individually or jointly for no less than 180 consecutive days may propose to the supervisory committee in writing to initiate legal proceedings against such acts in the People's Court; where the Company incurs losses as a result of the members of the supervisory committee having violated any laws, administrative regulations or the Articles of Association in performing their duties, shareholders may propose the board in writing to initiate legal proceedings in the People's Court. If the supervisory committee or the board refuses to initiate legal proceedings after receiving the aforesaid written proposal of shareholders, or fails to initiate such legal proceedings within 30 days on which such proposal is received, or in case of emergency where failure to initiate such legal proceedings immediately will result in irreparable damage to the Company's interest, such shareholders may initiate legal proceedings in the People's Court directly in their own names in the interest of the Company. In the event of any infringement by a third party to the Company's legitimate rights and interest, resulting in losses to the Company, the shareholder(s) individually or jointly holding 1% or more shares of the Company for no less than 180 consecutive days may initiate litigation before the People's Court in accordance with the preceding provisions.

In the event that any director or senior management violates laws, administrative regulations or the Articles of Association to the detriment of the interest of the shareholders, the shareholders may initiate litigation before the people's court.

The holders of ordinary shares of the Company shall have the following obligations:

(I) to abide by the laws, administrative regulations and the Articles of Association;

(II) to pay subscription monies according to the number of shares subscribed for and the method of subscription;

(III) not to divest the shares unless required by the laws or the regulations;

(IV) not to abuse their shareholders' rights to harm the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to harm the interests of any creditor of the Company; in the event of any damage caused to the Company or other shareholders arising from any abuse of the shareholder's right, such shareholder shall be liable for compensation in accordance with laws; in the event of any material damage caused to the interests of the creditors of the Company arising from any abuse of the Company's independent legal person status and the limited liability of the shareholders by any shareholder to evade from debts, such shareholder shall be held liable for the Company's debts;

(V) to fulfill other obligations imposed by the laws, administrative regulations and the Articles of Association.

Shareholders shall not be liable for making any additional contribution to the share capital of the Company other than according to the terms agreed by the subscriber of the shares at the time of subscription.

Shareholders holding 5% or more voting shares and beneficial owners shall notify the Company within the period of time as stipulated by the CSRC and the Shanghai Stock Exchange in any of the following events:

(I) the shares of the Company held or controlled by it are subject to any property preservation or other mandatory measures;

(II) shares of the Company they hold is pledged;

(III) Shareholders holding 5% or more shares change their beneficial owners;

(IV) its name has been changed;

(V) a merger or division has been effected;

(VI) it is ordered to suspend operation, or is appointed a receiver, or is taken over, subject to revoke or other regulatory measures or in the process of dissolution, bankruptcy or liquidation;

(VII) it is imposed upon administrative penalties or criminal punishment due to serious violation of laws or regulations;

(VIII) other circumstances that may result in the transfer of their shareholding in the Company or otherwise affect the operation of the Company.

No entities or individuals are allowed to directly or indirectly hold 5% or more of the Company's shares without approval from the CSRC. Otherwise, it shall be rectified within a prescribed period of time, and any voting right in respect of such shares may not be exercised prior to such rectification.

The controlling shareholders and beneficial owners of the Company shall not use the connected relations to harm the interests of the Company; otherwise, they shall make compensation for the loss incurred to the Company.

The controlling shareholders and beneficial owners of the Company shall bear the fiduciary duty to the Company and the public shareholders of the Company. The controlling shareholders shall strictly abide by the laws in exercising the investor's rights and shall not infringe the legitimate rights of the Company and the public shareholders by way of profit distribution, asset reorganization, external investment, use of capital and guarantee for borrowings. Nor shall they take the advantage of their controlling position to the detriment of the Company and public shareholders.

Save for the obligations under laws, administrative regulations or the listing rules of the place where the Company's shares are listed, the controlling shareholders, in exercising their rights as shareholders, shall not make any decision detrimental to all or some shareholders on the following matters:

(I) relieving any director or supervisor of the obligation to act in good faith for the best interests of the Company;

(II) approving any director or supervisor to expropriate the assets of the Company (for his own or others' benefits) in any manner, including but not limited to any opportunities which are beneficial to the Company;

(III) approving any director or supervisor to expropriate the personal interests of other shareholders (for his own or others' benefits), including but not limited to any distribution right and voting right, but excluding reorganization of the Company submitted for approval at the shareholders' general meeting pursuant to the Articles of Association.

General Rules of Shareholders' General Meeting

The shareholders' general meeting is authority of the Company and shall exercise the following functions and powers in accordance with the laws:

(I) to decide on the operating policies and investment plans of the Company;

(II) to elect and remove directors and supervisors (except staff representatives), and to fix the remuneration of the directors and supervisors;

(III) to review and approve the reports of the board;

(IV) to review and approve the reports of the supervisory committee;

(V) to review and approve the proposed annual financial budgets, final accounts, balance sheets, income statements and other financial statements of the Company;

(VI) to review and approve the profit distribution plans and plans for recovery of losses of the Company;

(VII) to consider and approve the annual reports of the Company;

(VIII) to approve resolutions on increase or reduction of registered capital and the issuance of shares of any class, warrants and other similar securities of the Company;

(IX) to approve resolutions on the issuance of corporate bonds of the Company;

(X) to approve resolutions on matters such as merger, division, dissolution, liquidation or change of corporate form of the Company;

(XI) to amend the Articles of Association;

(XII) to approve resolutions on the appointments or dismissals of accounting firms;

(XIII) to consider and approve any guarantee issue set forth in Article 63 of the Articles of Association;

(XIV) to consider matters relating to the major purchases and disposals of material assets of a value exceeding 30% of the Company's latest audited total assets (net of customer deposits by the Company) within a year;

(XV) to consider and approve the change of the use of the proceeds raised;

(XVI) to consider share incentive scheme;

(XVII) to deal with such other matters to be resolved at shareholders' general meeting as required by the laws, administrative regulations, departmental rules, listing rules of the place where shares of the Company are listed and stock exchanges or the Articles of Association.

The Company shall not directly or indirectly provide guarantee to its shareholders (including their related parties). The provision of any of the following guarantee by the Company shall be considered and resolved at shareholders' general meeting:

(I) Any provision of guarantee, where the total amount of external guarantees provided by the Company and its controlled subsidiaries reaches or exceeds 50% of the latest audited net assets;

(II) Provision of a single guarantee the amount of which exceeds 10% of the latest audited net assets;

(III) Any provision of guarantee, where the total amount of external guarantees provided by the Company reaches or exceeds 30% of the latest audited total assets (net of customer deposits);

(IV) Provision of guarantee to anyone whose gearing ratio exceeds 70%;

(V) Any other guarantee to be considered and approved at the shareholders' general meeting as required by the laws, administrative regulations, departmental rules, stock exchanges or the Articles of Association.

Shareholders' general meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once every year within six months after the end of the previous accounting year.

The Company shall hold an extraordinary general meeting within two months after the occurrence of one of the following events:

(I) the number of incumbent directors falls below the requirement of the Company Law, or is less than 10 persons;

(II) the uncovered losses are in excess of one third of the Company's total paid-up share capital;

(III) shareholders individually or collectively holding 10% or more of the Company's shares request in writing (their shareholding shall be calculated according to the number of shares as of the day on which they submit request in writing);

(IV) the board considers it necessary;

(V) the supervisory committee proposes to convene such meeting;

(VI) such other circumstances as specified by the laws, administrative regulations, departmental rules or the Articles of Association.

The Convening of Shareholders' General Meeting

The Board shall convene the shareholders' general meeting.

Subject to the consent of more than 1/2 of all the independent directors, the independent directors shall have the right to propose to the board to convene an extraordinary general meeting, and regarding the proposal requesting to convene an extraordinary general meeting by independent directors, the board shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten days after receiving the proposal in accordance with the laws, administrative regulations, the listing rules in the place where the Company's shares are listed and the Articles of Association.

If the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the board. If the board refuses to convene an extraordinary general meeting, an explanation and relevant announcement shall be made.

The supervisory committee shall have the right to propose to the board to convene an extraordinary general meeting, and such proposal shall be submitted in writing. The board shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten days after receiving the proposal in accordance with the laws, administrative regulations, the listing rules in the place where the Company's shares are listed and the Articles of Association.

If the board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the board and any changes to the original proposal contained in the notice shall be subject to the approval of the supervisory committee.

If the board does not agree to convene the extraordinary meeting or does not give any written reply within ten days after receiving the proposal, the board shall be deemed as failing to perform the duty of convening a shareholders' general meeting. In such case, the supervisory committee may convene and preside over the meeting.

The shareholder(s) individually or jointly holding 10% or more of the Company's shares shall have the right to propose to the board for the convening of an extraordinary general meeting, and such proposal shall be submitted in writing. The board shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten days after receiving the proposal in accordance with the laws, administrative regulations, the listing rules in the place where the Company's shares are listed and the Articles of Association.

If the board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the board and any change to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders.

If the board does not agree to convene the extraordinary general meeting or does not give any reply within ten days after receiving the proposal, the shareholder(s) individually or jointly holding 10% or more of the shares of the Company shall have the right to propose to the supervisory committee to convene an extraordinary general meeting, and such request shall be submitted in writing.

If the supervisory committee agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after receiving the proposal and any change to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders.

If a notice of meeting is not issued by the supervisory committee within the prescribed period, it shall be deemed that the supervisory committee will not convene and chair the general meeting. The shareholder(s) individually or jointly holding 10% or more of the Company's shares for more than 90 consecutive days (hereinafter referred to as "convening shareholders") shall have the right to convene and chair an extraordinary meeting. If the supervisory committee or shareholders convene(s) a shareholders' general meeting, the board shall be informed in writing and the relevant documents shall be filed with the Shanghai branch of the CSRC and the Shanghai Stock Exchange.

Shareholding proportion of the convening shareholders prior to announcement of the resolution of the shareholders' general meeting shall not be less than 10%.

The supervisory committee and convening shareholders shall submit relevant evidence to the Shanghai branch of the CSRC and the Shanghai Stock Exchange when issuing the notice of shareholder's general meeting and announcement on the resolutions of the general meeting.

With respect to a shareholders' general meeting convened by the supervisory committee or the shareholders, the Board and the secretary of the Board shall cooperate. The Board shall offer the register of shareholders as at the share registration date. If the Board fails to offer the register of shareholders, the conveners may apply to the securities registration and clearing institution for the register of shareholders by relying on the announcement regarding the notice convening the shareholders' general meeting. The register of shareholders offered to the conveners shall only be used for the shareholders' general meeting and shall not be used for other purposes.

Motions and Notices of Shareholders' General Meeting

The board, the supervisory committee, and shareholder(s) individually or jointly holding 3% or more of the Company's shares shall have the right to propose resolutions to the Company for consideration at shareholders' general meeting.

Shareholder(s) individually or jointly holding 3% or more of the Company's shares may submit an interim proposal in writing to the convener of shareholders' general meeting within 10 days before the meeting. The convener shall issue a supplementary notice to the shareholders to announce the interim proposal within two days after the receipt thereof.

Otherwise, the convener of shareholders' general meeting shall not amend the resolutions set out in the notice of the meeting or propose additional resolutions after the issue of the notice of the shareholders' general meeting.

Voting and Resolutions of Shareholders' General Meeting

Resolutions of a shareholders' general meeting include ordinary resolutions and special resolutions. An ordinary resolution of a shareholders' general meeting shall be passed by affirmative votes of more than half of the Company's total voting shares held by shareholders attending the meeting in person or by proxies. A special resolution of a shareholders' general meeting shall be passed by affirmative votes of more than two-thirds of the Company's total voting shares held by shareholders attending the meeting in person or by proxies.

The following matters shall be approved by way of ordinary resolutions of a shareholders' general meeting:

(I) work reports of the Board and the supervisory committee;

(II) profit distribution plans and plans for recovery of losses as proposed by the Board;

(III) the appointment or removal, the remuneration and the method of payment for the members of the Board and the supervisory committee;

(IV) the annual financial budget, final accounts, balance sheets, income statements and other financial statements of the Company;

(V) the annual reports of the Company;

(VI) any other matters not required by the laws, administrative regulations, the listing rules in the place where the Company's shares are listed and the Articles of Association to be resolved by way of special resolutions.

The following matters shall be approved by way of special resolutions of a shareholders' general meeting:

(I) the increase or reduction of the registered capital and the issuance of shares of any class, warrants and other similar securities of the Company;

(II) the issuance of corporate bonds of the Company;

(III) the division, merger, dissolution, liquidation or change of corporate form of the Company;

(IV) the amendments to the Articles of Association;

(V) purchases or disposals of material assets by the Company within 1 year or the guaranteed amount exceeding 30% of the Company's latest audited total assets (net of customer deposits);

(VI) adoption of a share incentive scheme;

(VII) other matters specified by the laws, administrative regulations, the listing rules of the place where the Company's shares are listed and the Articles of Association and matters specified by ordinary resolutions of shareholders' general meeting that are considered to be significant to the Company and shall be approved by special resolutions.

Shareholders (including their proxies) shall exercise their voting rights representing by the number of voting shares they represent. Unless otherwise specified by the Articles of Association, each share shall have one vote.

When the shareholders' general meeting considers matters that could materially affect the interests of the medium and small investors, to the extent technically feasible, the votes by the medium and small investors shall be counted separately, and the results of such separate vote counting shall be disclosed promptly.

Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.

The Board, independent directors and shareholders who meet the relevant requirements of the Company may collect voting rights from other shareholders. Information including the specific voting intention shall be fully disclosed to the shareholders from whom voting rights are being collected. Consideration or de facto consideration for collecting shareholders' voting rights is prohibited. The Company shall not impose any minimum shareholding limitation for collecting voting rights.

When a connected transaction is considered at a shareholders' general meeting, the connected shareholders shall abstain from voting. The voting shares held by connected shareholders shall not be counted in the total number of shares with voting rights. The announcement on the resolutions of the shareholders' general meeting shall fully disclose the voting of the shareholders who are not connected parties.

Special Procedures for Voting by Class Shareholders

Shareholders holding different class of shares shall be class shareholders.

Any variation or abrogation of the rights of any class of shareholders proposed by the Company shall be approved by a special resolution at the shareholders' general meeting and by the shareholders of the affected class at a separately convened class meeting.

The following circumstances shall be deemed to be variation or abrogation of the rights of shareholders of a certain class:

(I) increase or decrease in the number of shares of that class, or increase or decrease in the number of shares of another class having the same or more rights in voting, distribution or other privileges;

(II) conversion of all or part of the shares of that class into shares of other classes, or conversion of all or part of the shares of other classes into shares of that class or granting rights of such conversion;

(III) removal or reduction of the rights to receive accrued dividends or cumulative dividend attached to shares of that class;

(IV) reduction or removal of the priority of the shares of that class to receive dividends or property distribution in the event of liquidation of the Company;

(V) increase, removal or reduction of the right of conversion, options, voting rights, the right to transfer, priority in placement of shares and the right to acquire securities of the Company attached to shares of that class;

(VI) removal or reduction of the right to receive sums payable by the Company in particular currencies attached to shares of that class;

(VII) creation of a new class of shares having the same or more rights in voting, distribution or other privileges;

(VIII) imposing or strengthening the restriction on the transfer of or the ownership of the shares of that class;

(IX) issue of rights to subscribe for or convert into shares of that class or other classes;

(X) increase in the rights and privileges of shares of other classes;

(XI) proposed restructure of the Company which shall result in different classes of shareholders having to assume disproportionate liabilities;

(XII) alteration or cancellation of the provisions of this Article.

Shareholders of the affected class, whether or not having the right to vote at shareholders' general meetings, shall have the right to vote at the relevant class meeting in relation to any of the matters under circumstances (II) to (VIII) and (XI) to (XII) mentioned above, but interested shareholders shall not be entitled to vote at the relevant class meeting.

A resolution of a class meeting shall be passed by at least a two-thirds majority calculated on the basis of the voting rights held by the shareholders present and entitled to vote at the class meeting.

Except for holders of shares of other classes, the holders of domestic shares and overseas-listed foreign shares are different classes of shareholders.

The special procedures for voting by class shareholders shall not apply in the following circumstances:

(I) pursuant to a special resolution of shareholders' general meeting, the Company issues domestic shares and overseas-listed foreign shares in a period of 12 months, either separately or concurrently, and the respective numbers of domestic shares and overseas-listed foreign shares proposed to be issued do not exceed 20% of the respective numbers of the issued domestic shares and overseas-listed foreign shares;

(II) the Company completes the issue of domestic shares and overseas-listed foreign shares according to the plan adopted upon its establishment within 15 months from the date of approval by the securities regulatory authority of the State Council or during the period of time as stipulated by the relevant applicable regulations.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors of the Company are natural persons. It is not necessary for directors to hold shares of the Company.

The directors shall be elected or replaced by the shareholders' general meeting; the term of office of each director is three years unless otherwise provided in the Articles of Association. The director may, after the expiration of the term of office, serve consecutive terms if re-elected.

The term of office of a director shall start from the date on which the said director assumes office to the expiry of the current Board. If the term of office of a director expires but reelection is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected.

A director may concurrently serve as president or other senior management, provided that the aggregate number the directors who concurrently serve as president or other senior management and the directors who serve as staff representatives (if any) shall not be more than half of the directors of the Company.

The directors shall comply with the laws, regulations, listing rules of the place where the Company's shares are listed and the Articles of Association and shall faithfully perform their following obligations to the Company:

(I) not to abuse their rights to accept bribes or other illegal income and not to misappropriate the properties of the Company;

(II) not to misappropriate the money of the Company;

(III) not to deposit any assets or money of the Company in any accounts under their names or in the names of other persons;

(IV) not to violate the Articles of Association and lend the money of the Company to others or provide guarantee to others by charging the Company's assets without approval of the shareholders' general meetings or the board;

(V) not to enter into contracts or transactions with the Company in violation of the Articles of Association or without approval of the shareholders' general meeting;

(VI) not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business without approval of the shareholders' general meeting;

(VII) not to accept commissions in relation to transactions between any third party and the Company;

(VIII) not to disclose the secrets of the Company without consent;

(IX) not to use their connections to harm the interests of the Company;

(X) to be bound by other obligations stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

The Company shall be entitled to the income gained by the directors from any of the acts listed above; the director shall be liable for compensation if any loss is caused to the Company.

The directors shall comply with the laws, regulations, listing rules of the place where the Company's shares are listed and the Articles of Association and shall diligently perform their following obligations to the Company:

(I) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure that the Company's commercial activities are in compliance with the laws, administrative regulations and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;

(II) to treat all shareholders equally and fairly;

(III) to understand the operation and management of the Company in a timely manner;

(IV) to approve regular reports of the Company in written form and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;

(V) to provide all relevant information required by the supervisory committee and shall not intervene the performance of the supervisory committee or supervisors of their duties;

(VI) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

A director who fails to attend two consecutive board meetings in person or by proxy shall be deemed as unable to perform his/her duties. The board shall propose to the shareholders' general meeting for removal of such director.

Where the number of the directors is under the statutory minimum number because of the resignation, before the re-elected director's taking office, the former director shall perform the duty of director in accordance with laws, administrative regulations, departmental rules and the Articles of Association. If the resignation of the independent director causes the proportion of the independent directors to all directors in the Board to become less than the minimum required by the laws, the resignation report of the independent director shall take effect after the subsequent appointed independent director fills the vacancy. Except for the above mentioned situation, the resignation of the director shall take effect since the resignation report is served on the Board.

Where the resignation of a director takes effect or the term of office of a director comes to expiration, the director shall conduct all the handover procedures with the Board. The director is still not free from the duty of loyalty to the Company and shareholders, which will not be certainly lifted upon the expiration of the term. The confidentiality obligation of the director is still valid after the expiration of the term, unless and until such confidential information is in the public domain. The term of other duties shall be determined on the principle of fairness, in view of the time period between the occurrence of the event and the director's leaving office and under what circumstance or condition its relationship with the Company is ended.

Unless legally authorized by these Articles or the board, no director shall act on behalf of the Company or the board. When a director acts in his/her own name and a third party reasonably considers such director acts on behalf of the Company or the board of directors, such director shall declare in advance his/her position and capacity.

Independent Directors

The Company shall have independent directors. The independent directors shall account for at least one-third of the board of directors of the Company. The independent directors shall meet the following requirements:

(I) to have the qualifications to serve as directors of listed companies and securities companies according to the laws, administrative regulations and other relevant regulations;

(II) he/she shall have the basic knowledge of the operation of a listed company and be well-acquainted with the relevant laws, administrative measures, rules and regulations;

(III) he/she shall have over five years of working experience in securities, finance, law, accounting, economics or other working experience which is necessary for the performance of duties of an independent director;

(IV) he/she shall be at least a university graduate and possess at least a bachelor degree or above;

(V) he/she shall have the necessary time and effort to perform his/her duties;

(VI) he/she shall comply with the independence required by the Hong Kong Listing Rules; and

(VII) other conditions stipulated by the laws, administrative regulations, departmental rules and other statutory documents.

The Board of Directors

The Company shall have a board of directors accountable to the shareholders' general meeting.

The board consists of 17 directors, including six independent directors. The Board shall have a chairman and may have a vice chairman. The Company shall have no employee director.

The board shall perform the following duties:

(I) to convene Shareholders' general meetings and to report to Shareholders' general meetings;

(II) to implement the resolutions of Shareholders' general meetings;

(III) to research and formulate the medium and long-term development plan of the Company;

(IV) to determine business operation plans and investment plans of the Company;

(V) to formulate annual preliminary and final financial budgets of the Company;

(VI) to formulate the profit distribution plans and plans for recovery of losses of the Company;

(VII) to formulate proposals of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(VIII) to formulate plans for any substantial acquisition by the Company, repurchase of the Shares or merger, division and change of the form and dissolutions of the Company;

(IX) to decide on matters relating to the Company's external investments, acquisitions or disposal of assets, mortgage of assets, external guarantees, entrusted wealth management and connected transactions as authorized by Shareholders' general meetings;

(X) to decide on the establishment of the Company's internal management structure;

(XI) to appoint or dismiss the Company's pesident, secretary to the board and chief compliance officer and, based on the nominations of President, to appoint or dismiss vice presidents, chief financial officer and other senior management and to determine their remuneration and rewards and penalties;

(XII) to decide on the proposals for the establishment of subsidiaries;

(XIII) to formulate the basic management system of the Company;

(XIV) to formulate proposals for any amendments to the Articles of Association;

(XV) to manage the disclosure of information of the Company;

(XVI) to propose to Shareholders' general meetings the appointment or change of the accounting firm acting as the auditors of the Company;

(XVII) to hear the work report of the Company's president and the board committees and to review the work of the Company's president and the board committees;

(XVIII) any other powers as conferred by the laws, administrative regulations, departmental rules and the Articles of Association.

In respect of the Board resolutions relating to matters specified above, except for those in (VII), (VIII) and (XIV) which shall be passed by more than two-thirds of all directors, the remaining resolutions may be passed by over half of all directors.

The Board shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of, the fixed assets where the estimated value of the consideration, for the proposed disposition, and the aggregate amount of the consideration for any such disposition of the fixed assets that has been completed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the fixed assets as shown in the last balance sheet placed before the shareholders in a general meeting.

The validity of a disposition by the Company of fixed assets shall not be affected by the breach of the above requirements.

The board shall explain to the shareholders' general meeting regarding the non-standard auditors' advice given by certified accountant in relation to the financial report of the Company.

The board shall formulate the Rules of Procedure of Board Meetings (hereafter referred to as the "Rules of Procedure of Board Meetings") to ensure the implementation by the board of the resolutions of shareholders' general meeting, to improve efficiency and to make decision in a scientific manner.

The board shall formulate stringent examination and approval system to determine the authority with respect to external investment, acquisition and disposal of assets, mortgage of assets, external guarantees, entrusted wealth management and connected transactions of the Company. Specialists or professionals shall be retained to evaluate major investment projects that are beyond the authority of the Board and report to shareholders' general meeting for approval.

The Company's approval authority for the aforesaid relevant matters is as follows:

(I) Acquisition or disposal of assets: where the acquisition or disposal is required to be submitted to the general meeting for consideration after it is tested according to the transaction testing indicators specified by the listing rules of the listing venue of the Company's shares (hereinafter referred to as the Indicator Test), it shall be approved by the general meeting; where the timely information disclosure obligation needs to be performed after the Indicator Test is conducted but the acquisition or disposal is not required to be submitted to the general meeting for consideration, it shall be approved by the board of directors; where the aforesaid criteria are not met, it shall be approved by the chairman of the board of directors. However, if the acquisition or disposal of assets involves the total value of assets or transaction amount which exceeds 30% of the Company's latest audited total assets (after deducting customer margin) when it is calculated in the accumulative manner for a period of twelve consecutive months, it shall be submitted to the general meeting for consideration.

(II) External investments: in respect of external equity investment which is required to be submitted to the general meeting for consideration after the Indicator Test, it shall be approved by the general meeting; the remaining external equity investments shall be approved by the board of directors, which can decide the total amount of investment for a certain period (the criteria for performing the timely information disclosure obligation after the Indicator Test cannot be exceeded) and authorize the chairman of the board of directors to approve specific investments within the total amount of investment. In respect of external non-equity investment which is required to be submitted to the general meeting for consideration after the Indicator Test, it shall be approved by the general meeting; where the timely information disclosure obligation needs to be performed after the Indicator Test but the investment is not required to be submitted to the general meeting for consideration, it shall be approved by the board of directors; where the aforesaid criteria are not met, it shall be approved by the chairman of the board of directors.

(III) External guarantees: external guarantees mentioned in Article 63 of the Articles of Association shall be submitted to the general meeting for approval; other external guarantees shall be approved by the board of directors.

(IV) Other non-connected transactions: unless otherwise specified by the Articles of Association, other non-connected transactions conducted by the Company which are required to be submitted to the general meeting for consideration after the Indicator Test shall be approved by the general meeting; where the timely information disclosure

obligation needs to be performed after the Indicator Test is conducted but the transaction is not required to be submitted to the general meeting for consideration, it shall be approved by the board of directors; where the aforesaid criteria are not met, it shall be approved by the chairman of the board of directors.

(V) Connected transactions: connected transactions conducted by the Company which are required by laws, administrative regulations, departmental rules and the listing rules of the listing venue of the Company's shares to be submitted to the general meeting for consideration shall be approved by the general meeting; where the aforesaid rules require the timely information disclosure obligation to be performed but the transaction does not need to be submitted to the general meeting for consideration, it shall be approved by the board of directors; where the aforesaid criteria are not met, it shall be approved by the chairman of the board of directors.

The chairman of the board of directors shall exercise the following functions and powers:

(I) to preside over shareholders' general meetings and to convene and preside over board meetings;

(II) to supervise and examine the implementation of resolutions passed by the board;

(III) to execute the securities issued by the Company and other major documents;

(IV) to perform other duties entrusted by the board.

Notice of an extraordinary meeting of the Board shall be given to all directors and supervisors 5 days before the meeting. With the approval of all directors and supervisors, the provisions of the time period for notification of the extraordinary board meetings shall be exempted from implementation.

The delivery and content of the notification of board meetings shall comply with the provisions of the Rules of Procedure of Board Meetings.

A meeting of the board shall be held only when over half of the directors attend the meeting. Unless otherwise provided by the Articles of Association, resolutions of the board shall be passed by more than half of all directors.

A director shall have one vote when voting on a resolution of the board.

In the case of an equality of votes, the chairman of the Board shall be entitled to one additional vote.

If any director has connection with the entity involved in the resolution of a board meeting, the director shall abstain from voting on the resolution and shall not vote on behalf of other director. The board meeting may be held when more than half of the attending directors have no connection with the entity. The resolution of the board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than three, the matter shall be submitted to the shareholders' general meeting for approval.

Directors shall attend board meetings in person. Where a director is unable to attend a board meeting, he or she may authorize in writing another director to attend on his behalf. The independent directors shall not authorize the non-independent directors to attend the meeting.

The board shall keep minutes of the matters discussed in the meeting. The attending directors shall sign on the minutes of the meeting. The content and format of the minutes of board meetings shall comply with the provisions of the Rules of Procedure of Board Meetings.

The minutes of board meetings shall be kept as corporate archives for a period of no less than 20 years.

COMMITTEES UNDER THE BOARD

The board of directors shall establish the strategy committee, the remuneration appraisal and nomination committee, the audit committee and the risk control committee. All members of the board committees shall be directors, and shall be nominated by the chairman and approved by the board of directors.

The number of independent directors in the audit committee shall be more than half of the total number of members and at least one independent director with more than five years' experiences in accounting work must be included in the audit committee.

The chairman of the remuneration appraisal and nomination committee and the audit committee shall be held by independent directors.

Secretary to the Board of Directors

The Company shall have a secretary to the board. The secretary is a senior management of the Company. The secretary to the board should be a natural person who have the requisite professional knowledge and experience and shall be appointed by the board.

The secretary to the board shall mainly perform the following duties:

(I) to keep a complete copy of the constitution and record;

(II) to ensure the preparation and submission of reports and documents as required by the competent authorities in accordance with the laws;

(III) to properly maintain the register of members of the Company and to safeguard the right to access relevant records and document of the concerned personnel of the Company;

(IV) to be responsible for the preparation of the shareholders' general meetings and meetings of the Board, the keeping of documentation as well as the management of shareholders' information;

(V) to handle the matters relating to information disclosure and other matters.

A director or senior management of the Company may concurrently act as the secretary to the board. The accountant of the accounting firm appointed by the Company shall not act as secretary to the board of the Company.

Where a director concurrently acts as the secretary to the board of the Company and an act is required to be done by a director and the secretary to the board of the Company separately, such person shall not act in both capacities of a director and a secretary to the board of the Company.

President and Other Senior Management

The Company shall have one president, who shall be appointed and dismissed by the board.

The Company shall have certain vice presidents, who shall be appointed and dismissed by the board.

A person who holds an office other than that of the director and the supervisor in an entity owned by the Company's controlling shareholder or beneficial controller shall not act as a senior management of the Company.

The president are appointed for tenure of three years and they may be re-appointed.

The president shall be accountable to the board and exercise the following powers:

(I) to be in charge of the Company's production, operation and management, to organize and implement the resolutions of the board and to report his work to the board;

(II) to organize and implement the Company's annual plan and investment scheme;

(III) to draft the plan for establishment of the internal management departments of the Company;

(IV) to establish the Company's basic management system;

(V) to formulate basic rules and regulations for the Company;

(VI) to recommend the appointment or dismissal of vice presidents, chief financial officer and other senior management except the secretary to the board and chief compliance officer;

(VII) to decide the appointment or dismissal of management members other than those required to be appointed or dismissed by the Board;

(VIII) other powers granted by the Articles of Association or the Board.

The president may be present at the Board meetings, but shall have no voting right if he/she is not a director.

The president shall prepare detailed rules of the duties and responsibilities of president for approval by the Board before its implementation.

THE CHIEF COMPLIANCE OFFICER

The Company shall have a chief compliance officer. The chief compliance officer shall be in charge of the compliance of the Company and shall examine, supervise and inspect the compliance of the operation and management practice of the Company and its staff. The chief compliance officer shall not hold concurrently other positions the duties of which are in conflict with those of the compliance management and shall not concurrently take charge of the department the duties of which are in conflict with those of the compliance management. The chief compliance officer shall be appointed or removed by the Board.

The chief compliance officer shall be accountable to and report work to the Board internally and report the compliance status of the Company to the regulatory authority externally. The chief compliance officer primarily performs the following duties:

(I) to conduct compliance examinations on the Company in respect of its internal management system, major decisions, new products and new business schemes, and issue written compliance examination opinions; and conduct compliance examinations and sign his express opinions on application materials or reports submitted by the Company in accordance with the requirements of the securities regulatory authorities;

(II) to review, supervise and examine the Company and its staff in respect of the compliance of their operation, management and practice, and make regular or occasional examinations;

(III) to arrange the implementation of the anti-money laundering system and information firewall system, provide compliance advice and organize compliance training, and deal with the complaints and reports regarding the Company and its staff in respect of their behaviors in violation of laws and regulations;

(IV) in the event that the chief compliance officer discovers that the Company is in violation of certain laws and regulations or there is a potential risk of non-compliance, he/she shall promptly report to the Board and the supervisory committee, and to the CSRC Bureau and the competent self-regulatory organization of the place of domicile of the Company in accordance with regulatory requirements and urge prompt rectification;

(V) to make recommendations to the Board or senior management and monitor the relevant departments to evaluate the impact on compliance management as well as make corresponding amendments or adjustments to relevant management systems and workflows where any law, regulation and standard changes;

(VI) to perform other duties stipulated by the relevant regulations and the Articles of Association of the Company and conferred by the Board.

If a senior management violates any laws, administrative regulations, departmental rules, or the Articles of Association in the course of performing his duties of the Company and causes losses to the Company, he/she shall be liable for compensation.

SUPERVISORS AND THE SUPERVISORY COMMITTEE

Supervisors

Directors, president and financial controller and other senior management of the Company may not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected.

If no supervisor is elected in place of a retiring supervisor upon expiry of his/her term or a supervisor resigns before the expiry of his/her term resulting in the number of supervisors to be less than the required number, the leaving supervisor shall continue to perform his/her duties as a supervisor in accordance with the law, administrative regulations and the Articles of Association until a supervisor is elected in his/her place.

The supervisor is entitled to attend Board meetings, and make enquiry or suggestion regarding resolutions at Board meetings.

Supervisory Committee

The Company shall have a supervisory committee. The supervisory committee shall consist of seven supervisors, have one chairman of the supervisory committee and may appoint a vice chairman. The election and removal of the chairman and vice chairman of the supervisory committee shall be determined by the affirmative votes of two-thirds or more of the members of the supervisory committee. The chairman of the supervisory committee shall convene and preside over a meeting of the supervisory committee. If the chairman of the supervisory committee is unable or fails to perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over the meeting of the supervisory committee. Where there is no vice chairman of the supervisory committee or the vice chairman of the supervisory committee is unable or fails to perform his/her duties, a supervisor selected by more than one half of all supervisors shall convene and preside over the meeting of the supervisory committee.

The supervisory committee shall consist of shareholder representatives and an appropriate proportion of the Company's employee representatives and the percentage of employee representatives shall not be less than one-third. The employee representatives of the supervisory committee shall be elected by employees of the Company at the employee representatives' meeting, employee meeting or otherwise democratically.

The supervisory committee shall be accountable to the shareholders' general meeting and shall perform the following duties:

(I) to review the Company's periodical reports prepared by the Board and to provide comments in writing;

(II) to review the Company's financials condition;

(III) to supervise the conducts of the Directors and senior management in discharge of their duties and to advise on the dismissal of any Director and senior management who are in breach of laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;

(IV) to demand rectification from the Directors and senior management where their conducts are detrimental to the interests of the Company;

(V) to propose to convene an extraordinary Shareholders' general meeting, and to convene and preside over the Shareholders' general meeting where the Board fails to perform its duties to convene or preside over a Shareholders' general meeting as required under the Company Law;

(VI) to propose motions at a Shareholders' general meeting;

(VII) to take legal actions against Directors and senior management in accordance with Article 152 of the Company Law;

(VIII) to examine the financial information such as the financial reports and plans for distribution of profits to be submitted by the Board to the Shareholders' general meetings, to conduct investigations whenever queries or unusual conditions in the operation of the Company arise and, if necessary, to engage professional institutions such as accounting firms or law firms to assist in their work with expenses to be borne by the Company;

(IX) other duties as stipulated by laws, administrative regulations, statutory documents and the Articles of Association.

All expenses required by the supervisory committee to exercise their powers shall be borne by the Company.

The supervisory committee shall meet at least once in every six months. The chairman of supervisory committee shall convene the meeting and notify all supervisors in writing ten days before the meeting. As approved by all the supervisors, the requirement of a notice period of a periodic supervisory committee meeting shall be exempted from execution.

RESOLUTIONS OF THE SUPERVISORY COMMITTEE

A supervisory committee meeting shall not be held unless it is attended by more than half of the supervisors. Each supervisor has one vote.

The resolution made by the supervisory committee shall be approved by more than two thirds of the members of the supervisory committee.

The supervisory committee shall keep minutes of the matters discussed. The attending supervisors of the meeting shall sign the minutes of the meeting.

A supervisor is entitled to request that a note of his views made at the meetings be recorded in the minutes. The minutes of supervisory committee meetings shall be kept as records of the Company and shall be maintained for a period of at least 20 years.

THE QUALIFICATIONS AND OBLIGATIONS OF THE COMPANY'S DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Other than the conditions for the appointment of Directors (including independent Directors), supervisors and senior management as set out in the Articles of Association, the following persons shall not serve as Directors, supervisors, manager or other senior management members of the Company:

(I) persons without civil capacity or with limited civil capacity;

(II) persons who have committed offences relating to corruption, bribery, embezzlement of property, misappropriation of property or disruption of socialist economic order and have been sentenced to criminal punishment, where less than five years has elapsed since the date of completion of the imprisonment, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years has elapsed since the date of enforcement;

(III) persons who were former directors, factory managers or managers of a company or enterprise which was declared bankrupt due to mismanagement and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years has elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(IV) persons who were legal representatives of a company or enterprise which had its business license revoked and was ordered to close down due to violation of the law and who were personally liable, where less than three years has elapsed since the date of the revocation;

(V) persons who have a substantial amount of debts due and outstanding;

(VI) persons who are imposed by securities regulatory authorities of the State Council a ban from entering into the securities market for a period which has not yet expired;

(VII) persons in charge of stock exchange, securities registration and clearing institutions or directors, supervisors, senior management of securities companies, who were dismissed due to illegal or improper behavior where less than five years has elapsed since the date of the removal;

(VIII) persons who were lawyers, certified public accountants or professionals of investment advisory institutions, financial consultancy institutions, credit rating institutions, assets evaluation or certification institutions, whose qualification was revoked due to illegal or improper behavior, where less than five years has elapsed since the date of the revocation;

(IX) persons who were employees of stock exchange, securities registration and clearing institution, securities service provider, securities company and government officers and were discharged due to breach of the laws and irregularities;

(X) government officers and other persons who are forbidden by law and regulations to concurrently take up posts in a company;

(XI) persons who were subject to administrative penalties by the financial regulatory department due to material illegal or improper behavior where less than three years has since the date of completion of the penalties;

(XII) persons who are disqualified by the State Council's securities regulatory authority where less than three years has elapsed since the date of disqualification;

(XIII) persons who are declared to be unfit by the State Council's securities regulatory authority where less than two years has elapsed since the date of the declaration;

(XIV) persons who are prohibited from acting as a leader of an enterprise by laws or regulations;

(XV) persons other than a natural person;

(XVI) persons who has been convicted by the competent authority for violation of securities regulations by acting fraudulently or dishonestly, where less than five years has elapsed since the date of the conviction;

(XVII) persons who are under investigation of the judicial authority due to breach of criminal laws and the case is not closed;

(XVIII) other circumstances specified by the laws, regulations or listing rules of the place where the shares of the Company are listed.

Independent directors shall not be related to the Company or have conflict of interests with the Company or any other circumstances which may hinder their independent and objective judgment. The following persons shall not act as the independent directors of the Company:

(I) the person who works in the Company or its related party and his close relatives, and persons who have important social relationship with him;

(II) the person who works in the following institutions and his close relatives and persons that have important social relationship with him: an entity that holds or controls 5% or more of the shares of the Company, the top five corporate shareholders of the Company, and an institution that has business relationship with or is an interested party of the Company;

(III) a natural person holding or controlling 1% or more of the Company's shares, the Company's top 10 shareholders in the capacity of natural persons, natural persons controlling 5% or more of the Company's shares, and the close relatives of the aforementioned persons;

(IV) the person providing services such as financial, legal or consulting services to the Company and its related parties and the close relatives of such persons;

(V) the person who falls within items (I) to (IV) during the past year;

(VI) the person who takes up a position (excluding independent director) in another securities company;

(VII) other persons prescribed by the CSRC and the Articles of Association.

The validity of the conduct of Directors, president or other senior management members of the Company who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointment, election or qualification.

In addition to the obligations imposed by the laws, administrative regulations and the listing rules of the stock exchange in the place where the Company's shares are listed, the Directors, supervisors, president and other senior management members of the Company shall have the following obligations to each shareholder in performing the duties entrusted by the Company:

(I) not to cause the Company to exceed the scope of business stipulated in its business license;

(II) to act honestly in the best interests of the Company;

(III) not to expropriate in any guise the Company's property, including but not limited to opportunities advantageous to the Company;

(IV) not to expropriate the personal rights of shareholders, including but not limited to rights to distribution and voting, except the restructuring of the Company submitted to the shareholders' general meeting for approval in accordance with the Articles of Association.

The Directors, supervisors, president and other senior management members of the Company shall perform their duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where their duty and their interest may conflict. These principles include (but not limited to) the following:

(I) to act honestly in the best interests of the Company;

(II) to exercise powers within the scope of his powers;

(III) to exercise the discretion vested in him personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the informed consent of shareholders at shareholders' general meeting, not to delegate others to exercise his/her discretion;

(IV) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(V) unless otherwise provided by the Articles of Association or with the informed consent of shareholders at shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;

(VI) without the informed consent of shareholders at shareholders' general meeting, not to use the Company's property for his/her own benefit in any form;

(VII) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including but not limited to opportunities advantageous to the Company;

(VIII) without the informed consent of shareholders at shareholders' general meeting, not to accept commissions in connection with the Company's transactions;

(IX) to abide by the Articles of Association, perform his/her official duties faithfully and protect the Company's interests, and not to exploit his/her position and power in the Company for his own interests;

(X) not to compete with the Company in any way unless without the informed consent of shareholders at shareholders' general meeting;

(XI) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;

(XII) unless otherwise permitted by informed shareholders at shareholders' general meeting, to keep in confidence the confidential information relating to the Company acquired by him in the course of and during his tenure and not to use such information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if:

1. disclosure is required by law;

2. in the interests of the public;

3. in the interest of the relevant Director, supervisor, president or other senior management members.

The fiduciary duties of the Directors, supervisors, managers and other senior executive officers of the Company may not cease with the termination of their tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairly required depending on the time lapse between the act concerned and the termination and the circumstances and conditions under which the relationships between them and the Company are terminated.

Unless otherwise provided by the Articles of Association, Directors, supervisors, president and any other senior management personnel of the Company may be relieved of liability for specific breaches of duties by the informed consent of shareholders at a general meeting.

Where a director, supervisor, president and any other senior management personnel of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his/her contract of service with the Company), he/she shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not the related matters under normal circumstances is otherwise subject to the approval of the Board.

The Company shall not in any manner pay taxes for or on behalf of a Director, supervisor, president and any other senior management personnel.

The Company shall not directly or indirectly extend a loan to or provide any guarantee in connect with the extension of a loan to a Director, supervisor, president and other senior management personnel of the Company or of the Company's parent company or any of their respective associates. However, the following transactions are not subject to the above prohibition:

(I) The provision by the Company of a loan or a guarantee of a loan to its subsidiaries;

(II) The provision by the Company of a loan or a guarantee of a loan or any other funds to any of its Directors, supervisors, president and other senior management personnel to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties, in accordance with the service contract approved by the shareholders in shareholders' general meeting.

(III) the Company may make a loan to or provide a loan guarantee to any of the relevant Directors, supervisors, president and other senior management personnel or their respective associates on normal commercial terms, provided that the ordinary course of business of the Company should include the lending of money or the provision of loan guarantees.

A loan made by the Company in breach of the preceding Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A loan guarantee provided by the Company in breach of provisions shall not be enforceable against the Company unless:

(I) the guarantee was provided in connection with a loan to an associate of any of Directors, supervisors, president and other senior management personnel of the Company or its parent company and the lender were not aware of the relevant circumstances;

(II) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, supervisor, president or other senior management personnel of the Company is in breach of his duties to the Company, the Company has a right to:

(I) claim damages from the Director, supervisor, president and other senior management personnel in compensation for losses incurred by the Company as a result of such breach;

(II) rescind any contract or transaction entered into by the Company with the Director, supervisor, president and other senior management personnel, and with a third party (where such third party knows or should know that there is such a breach of duties to the Company by such director, supervisor, president and other senior management personnel representing the Company);

(III) demand an account of the profits made by the Director, supervisor, president and other senior management in breach of his duties;

(IV) recover any monies received by the Director, supervisor, president and other senior management personnel which should otherwise have been received by the Company, including but not limited to commissions;

(V) request the Director, supervisor, president and other senior management personnel to return the interests accrued or may be accrued on the monies which should have been paid to the Company.

The Company shall enter into a contract in writing with a Director or supervisor to determine his/her emoluments subject to prior approval of shareholders' general meeting.

FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION

Financial and Accounting System

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the requirement of relevant regulatory departments of the PRC.

The Company shall submit its annual financial reports to the CSRC and the stock exchange(s) in the place where the Company's shares are listed within four months from the ending date of each fiscal year, submit the half-year financial reports to the local office of the CSRC and the stock exchange(s) in the place where the Company's shares are listed within two months from the ending date of the first six months of each fiscal year, and submit the quarterly financial reports to the local office of the CSRC and the stock exchange(s) in the place where the Company's shares are listed within one month from the ending dates of the first three and first nine months of each fiscal year respectively.

The above financial reports are prepared in accordance with laws, administrative regulations and the provisions of departmental regulations.

The Board of the Company shall submit the financial reports prepared by the Company as required by the laws, administrative regulations, rules and statutory documents and Hong Kong Listing Rules to the shareholders at every annual general meeting.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC Accounting Standards for Business Enterprises and regulations, be prepared in accordance with either international accounting standards, or those of the place outside China where the Company's shares are listed. If there is any material difference between the financial statements prepared in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When the Company is to distribute its after-tax profits for relevant fiscal years, the lower of the after tax-profits as shown in the two financial statements shall be adopted.

Any interim results or financial information published or disclosed by the Company must also be prepared in accordance with the PRC Accounting Standards for Business Enterprises and regulations, and also in accordance with either international accounting standards or those of the place where the Company's shares are listed.

The Company shall disclose two financial reports in each accounting year, i.e. its interim financial reports within 60 days of the end of the first six months of an accounting year and its annual financial reports within 120 days after the accounting year ends.

The Company shall not keep accounts other than those required by law. Assets of the Company shall not be deposited in an account maintained in the name of any individual.

PROFIT DISTRIBUTION

The Company is required to distribute each year's after-tax profits in the following order:

(I) to make up for the losses incurred in the previous year;

(II) to allocate 10% of its profits into its statutory reserve fund of the Company;

(III) to allocate no less than 10% of its after-tax profits into reserve for general risk to make up for the losses and no less than 10% of its after-tax profits into transaction risk reserve to make up for the deficit of securities trading in accordance with laws, regulations or regulatory requirements;

(IV) to allocate no less than 10% of its after-tax profits into its discretionary reserve if so resolved by shareholders' general meeting;

(V) pay dividends to shareholders.

When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

After making up for the losses and making contributions to the common reserve fund, statutory reserve and discretionary reserve, any remaining profits after tax shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association of the Company that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory reserve fund and statutory reserve, the shareholders must return the profits distributed in violation of the provision to the Company.

No profits shall be distributed in respect of the shares held by the Company.

The Company may distribute dividends in cash, in shares or in a combination of both cash and shares. The Company shall give priority to distribute dividends in cash provided that the conditions for cash distribution are satisfied.

Reserves of the Company are used for offsetting losses of the Company, expanding the Company's production and operation or increasing the capital of the Company. However, capital reserve shall not be used to offset losses of the Company. Capital reserve includes the following items:

(I) premium on shares issued at a premium price;

(II) any other income designated for the capital reserve by the regulations of the finance regulatory department of the State Council.

If the statutory reserve is converted into capital, the balance of the statutory reserve shall not fall below 25% of the Company's registered capital before the increase of the capital.

The Company may adjust the abovementioned proportion of cash dividend distribution by way of passing a resolution by two-thirds or more of the voting rights held by the shareholders who attend the shareholders' general meeting if any one of the following events happens:

(I) There are changes in, or adjustments to, the relevant laws and regulations or regulatory requirements;

(II) The net capital risk control indicators reach the warning levels;

(III) The Company's operating conditions deteriorate;

(IV) The Board proposes the adjustments.

Before raising adjustment scheme of profit distribution policy, the Board shall fully hear opinions from independent directors, take the initiative to communicate with minority shareholders through various channels, and carefully respond to concerns of such Shareholders. When convening a shareholders' general meeting to consider adjustment scheme of profit distribution policy, in addition to organizing on-site meeting, the Company should also allow shareholders to vote through Internet to the extent technically feasible.

After the profit distribution plan has been adopted at shareholders' general meeting, the board of directors of the Company shall complete the dividend (or share) distribution within two months after the general meeting.

Any amount paid up in advance of calls on any share may be entitled to dividend. Shareholders shall not be entitled to participate in respect thereof in a dividend subsequently declared.

Subject to the relevant laws, regulations, rules or standards of the PRC, the Company may exercise the power to forfeit unclaimed dividends, provided that it does so only after the expiration of the applicable relevant period.

The Company has the power to cease sending dividend warrants by post to a given holder of overseas listed foreign investment shares, but may exercise such power only if such warrants fail to be redeemed for two consecutive occasions. However, the Company may exercise such power after the first occasion on which such a warrant is returned and undelivered.

In relation to the exercise of right to issue warrants to bearer, no warrant thereof shall be issued to replace one that has been lost unless the Company is satisfied beyond reasonable doubt that the original warrant thereof has been destroyed.

On the premise of compliance with applicable laws and regulations, the Company shall have the power to sell, in such manner as the board thinks fit, any shares of a shareholder of overseas-listed foreign-invested shares who is untraceable subject to the following conditions:

(I) the Company has distributed dividends at least three times in respect of such shares within 12 years, but none of such dividends was claimed;

(II) the Company, after the expiration of a period of 12 years, made an advertisement on one or more newspapers in the place in which the Company's shares are listed, stating its intention to sell such shares, and notified the securities regulatory authority of the place in which the Company's shares are listed of such intention.

The Company shall appoint receiving agents on behalf of the holders of overseas-listed foreign-invested shares to receive on behalf of such shareholders dividends declared and all other monies owing by the Company in respect of such shares.

The receiving agents appointed by the Company shall meet the requirements of the laws or the relevant provisions of the stock exchanges in the place where the Company is listed.

The receiving agents appointed on behalf of holders of overseas-listed foreign-invested shares listed in the Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Internal Audit

The Company shall conduct internal audit system and assign full-time auditors to conduct internal audit and supervision on the revenues and expenditures and economic activities of the Company.

The internal audit system and the duties of the auditing staff of the Company shall come into effect upon the approval of the board of directors. The officer-in-charge of the audit team shall be responsible to and report to the board of directors.

Appointment of Accounting Firm

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of China to audit the annual financial reports and other financial reports, conduct verification of net assets and other relevant consultation services.

The engagement of an accounting firm by the Company shall be determined by the shareholders' general meeting. The accounting firm appointed by the Company shall hold office for a period commencing from the conclusion of this annual general meeting until the conclusion of the next annual general meeting. The appointment may be renewed.

The accounting firm appointed by the Company shall have the following rights:

(I) to inspect the accounting books, records and vouchers of the Company at any time; to require the directors, manager or other senior management of the Company to provide relevant information and explanation;

(II) to require the Company to take all reasonable steps to obtain from the Company's subsidiaries such information and explanation as are necessary for the purpose of discharging its duties;

(III) to attend shareholders' general meetings and to receive all notices of, and other information relating to, the meeting that any shareholder is entitled to, and to speak at any shareholders' general meeting in relation to matters concerning its role as the Company's appointed accounting firm.

Notwithstanding the terms set out in the contract between the accounting firm and the Company, shareholders at the shareholders' general meeting may, by way of ordinary resolution, resolve to remove such accounting firm before the expiration of its term of office, but without prejudice to the right of the firm to claim for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in shareholders' general meeting. The remuneration of an accounting firm appointed by the board of directors shall be determined by the board of directors.

The appointment, removal and non-reappointment of an accounting firm shall be resolved by shareholders in shareholders' general meeting. The resolution of the shareholders' general meeting shall be filed with the CSRC.

10 days' prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment thereof. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is considered at the shareholders' general meeting of the Company.

Where the accounting firm resigns, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

An accounting firm may resign its office by depositing a written resignation notice at the legal address of the Company. The resignation notice shall become effective on the date of such deposit or on such later date stipulated in such notice. Such notice shall contain the following statements:

(I) a statement to the effect that there are no circumstances in connection with its resignation which should be brought to the notice of the shareholders or creditors of the Company; or

(II) a statement of other circumstances considered necessary.

The Company shall send a copy of the above written notice to the relevant governing authority within 14 days after receiving such notice. If the notice contains statements mentioned in the above two items, a copy of such statements shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statements by prepaid mail to every holder of overseas-listed foreign-invested shares at the address registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement regarding any accountable affair, it may require the board of directors to convene an extraordinary general meeting for the explanation of the circumstances regarding to its resignation.

NOTICE AND ANNOUNCEMENT

Notice

A notice of the Company shall be sent by:

(I) hand;

(II) mail;

(III) announcement;

(IV) fax;

(V) email;

(VI) making announcement in the Company's website or the websites designated by stock exchange in accordance with the laws, regulations and listing rules of the place where the Company's shares are listed;

(VII) other means agreed by the Company and the recipient of the notice in advance or recognized by the recipient of the notice after receiving such notice;

(VIII) other means recognized by regulatory authorities of the place where the Company's shares are listed or stated in the Articles of Association.

Pursuant to the Hong Kong Listing Rules, and subject to the laws and regulations and listing rules of the place where the Company's shares are listed as well as the Articles of Association, corporate communications (as defined in Hong Kong Listing Rules) may be provided or sent to holders of H shares by making announcement on the websites designated by the Company and/or the websites of the Hong Kong Stock Exchange or by electronic means.

Where a notice is served by way of announcement, upon the publication of such announcement, and after completion of the relevant procedures required by the listing rules of the place where the Company's shares are listed, all relevant persons shall be deemed to have received the notice unless it is otherwise required by the listing rules of the place where the Company's shares are listed.

Where a notice of the Company is delivered by hand, the addressee shall sign (or seal) on reply slip and the date of receipt shall be deemed as the date of service; where a notice of the Company is delivered by mail, the seventh working day from the date of delivery to the post office shall be deemed as the date of service; where a notice of the Company is delivered by fax, the day after the fax is sent (which shall be a working day, otherwise postponed to the first following working day) shall be deemed as the date of service; and where a notice of the Company is delivered by announcement, the first day on which such announcement is published shall be deemed as the date of service.

If a notice of meeting is accidentally omitted to be sent to a person who is entitled to receive the notice or if such person has not received the notice of meeting, the meeting and any resolutions made therein shall not become void thereby.

The Company may send only the English or the Chinese version of any corporate documents to its shareholders (in accordance with the intention expressed by the shareholder) if it has properly confirmed with the shareholders on such arrangement in accordance with and to the extent permitted by applicable laws and regulations even when corporate documents are required to be sent, posted, distributed, given, published or otherwise provided in both English and Chinese under the listing rules of the place where the Company's shares are listed.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

The merger or division of the Company shall be proposed by the Board, and upon approval in accordance with the procedures provided in the Articles of Association, it shall go through relevant examination and approval formalities according to the laws. A shareholder objecting to merger or division of the Company may require the Company or the shareholders who are in favor of such merger or division to acquire his/her shares at a fair price. A special document about the content of the resolution on merger or division of the Company shall be made for inspection by the shareholders. The aforesaid documents shall also be sent by mail to holders of overseas-listed foreign-invested shares of the companies listed in Hong Kong.

In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date of the Company's merger resolution and shall publish an announcement in newspapers or by other means within 30 days from the date of the Company's merger resolution. A creditor has the right, within 30 days of receiving such notice from the Company or, for creditors who do not receive the notice, within 45 days from the date of the public notice, to demand the Company to settle its debts or provide a guarantee for such debt.

Upon the merger of the Company, rights in relation to debtors and indebtedness of each of the merged parties shall be assumed by the company which survives the merger or the newly established company.

When the Company is divided, its assets shall be split up accordingly.

In the event of a division, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date of the Company's resolution to divide and shall publish an announcement in newspapers or by other means within 30 days from the date of the Company's resolution to divide.

Debts of the Company prior to division shall be jointly assumed by the companies which exist after the division, except provided otherwise in the written agreement between the Company and the creditors relating to the settlement of debt before the division.

Where the Company is required to reduce its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days from the date of the resolution for reduction of registered capital and shall publish an announcement in newspapers or by other means within 30 days from the date of such resolution. A creditor has the right, within 30 days after receipt of the notice or, in the case of a creditor who does not receive such notice, within 45 days from the date of the announcement, to demand the Company to repay its debts or to provide a guarantee for such debt.

The registered capital of the Company after reduction shall not be less than the statutory minimum amount.

Changes in particulars of the companies as a result of merger or division must be registered with the registration authorities in accordance with the laws. Cancellation of a company shall be registered in accordance with the laws when a company is dissolved. Incorporation of a company shall be registered when a new company is incorporated in accordance with the laws.

When increasing or reducing the registered capital, the Company shall register the changes with company registration authorities in accordance with the laws.

Dissolution and Liquidation

The Company shall be dissolved upon the occurrence of the following events:

(I) the term of its operations set out in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(II) a resolution on dissolution is passed by shareholders at a general meeting;

(III) dissolution is necessary due to the merger or division;

(IV) the Company's business license is revoked or the Company is ordered to close down or de-registered;

(V) where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss to the interests of shareholders, and no solution can be found through any other channel, shareholders representing more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company;

(VI) the Company is legally declared bankrupt due to its failure to repay debts due.

Upon the occurrence of the first situation mentioned above, the Company may continue to exist by amending the Articles of Association subject to the approval of more than two-thirds of the voting rights held by the shareholders present at shareholders' general meetings. Where the Company is dissolved in accordance with items (I), (II), (IV) and (V) above, a liquidation committee shall be established to commence liquidation within 15 days from the date of occurrence of events giving rise to dissolution. The members of the liquidation committee shall be determined by the directors or the shareholders' general meeting. In case no liquidation committee is established within the specified period to commence liquidation, the creditors may apply to the People's Court to designate relevant persons to form a liquidation committee and commence liquidation.

Upon passing of the resolution to liquidate the Company at the shareholders' general meeting, the functions and powers of the Board shall cease immediately.

The liquidation committee shall perform the following duties during the liquidation period:

(I) to notify creditors by notice or announcement;

(II) to thoroughly examine the Company's assets and prepare a balance sheet and an inventory of assets;

(III) to deal with the outstanding affairs of the Company in relation to the liquidation;

(IV) to settle outstanding taxes as well as taxes arising in the course of liquidation;

(V) to settle credits and debts;

(VI) to dispose of the remaining assets of the Company after the settlement of debts;

(VII) to represent the Company in any civil proceedings.

The liquidation committee shall notify creditors within ten days from the date of its establishment and make public announcement on newspaper or other channels within 60 days of its establishment. Creditors shall, within 30 days after receipt of the notice, or for those who do not receive the notice, within 45 days from the date of the announcement, declare their claims to the liquidation committee.

Creditors shall provide explanation for the relevant particulars and evidence of the claims upon declaration of such claims. The liquidation committee shall register the creditors' claims.

The liquidation committee shall not settle the debts to creditors during the creditor's claim period.

After checking the Company's assets and preparing a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan for approval of the shareholders' general meetings or the People's Court.

The remaining property of the Company, after the payment of liquidation expenses, the wages, social insurance contribution and statutory compensation of staff, outstanding taxes and payment of debts of the Company, shall be distributed in proportion to the shareholdings of shareholders.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities not relating to liquidation. The assets of the Company shall not be distributed to shareholders before the settlement of debts in accordance with the preceding provisions.

If the liquidation committee, after ascertaining the Company's assets and preparing a balance sheet and an inventory of assets, discovers that the Company's assets are insufficient to settle its debts, it shall immediately apply to the People's Court for a declaration of bankruptcy according to the laws.

After the Company is declared bankrupt by a ruling of the People's Court, the liquidation committee shall transfer the liquidation matters to the People's Court.

Upon completion of liquidation, the liquidation committee shall prepare a liquidation report and a statement of the receipts and payments and the financial accounts for the liquidation period which shall be audited by PRC certified public accountants and then submitted to the shareholders' general meeting or relevant competent authorities for approval. Within 30 days after approval is obtained from the shareholders' general meeting or relevant competent authorities, the liquidation committee shall submit the aforesaid documents to the company registration authority, apply for cancellation of company registration, and announce the termination of the Company.

AMENDMENTS TO THE ARTICLES

The Company shall amend the Articles under any of the following situations:

(I) there is a conflict between requirements in the Articles and those in the laws and administrative regulations after the amendment to the Company Law or relevant laws and administrative regulations;

(II) there are changes in the Company rendering the matters contained in the Articles incorrect;

(III) the shareholders' general meeting resolves to amend the Articles.

SETTLEMENT OF DISPUTES

The Company shall abide by the following rules for settlement of disputes:

(I) All disputes and claims between shareholders of overseas-listed shares and the Company, between shareholders of overseas-listed shares and the Company's directors, supervisors and senior management, or between shareholders of overseas-listed shares and shareholders of domestic shares arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company shall be referred by the relevant parties to arbitration.

The said dispute or claim shall be referred to arbitration as a whole. All parties involved in the same dispute or claim shall abide by the arbitration if such parties are the Company or the shareholder, director, supervisor, senior management of the Company.

Disputes in relation to the definition of shareholders and register of shareholders need not be resolved by arbitration.

(II) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

(III) If any disputes or claims of rights as mentioned in item (I) above are settled by way of arbitration, the laws of the People's Republic of China shall apply, except as otherwise provided in the laws and regulations.

(IV) The award of an arbitration body shall be final and conclusive and binding on all parties.

1. FURTHER INFORMATION ABOUT THE COMPANY

A. Incorporation

The two predecessors of the Company, Guotai Securities and Junan Securities were established on September 25, 1992 in Shanghai and on October 12, 1992 in Shenzhen, respectively. The Company was founded in Shanghai as a joint-stock limited liability company on August 18, 1999 through the merger of Guotai Securities and Junan Securities. Our registered address is at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, the PRC.

We have established a place of business in Hong Kong at 18/F, Tesbury Centre 28 Queen's Road East, Wanchai, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 16, 2016 under the English corporate name of "Guotai Junan Securities Co., Ltd." and Chinese corporate name of "國泰君安證券股份有限公司". Ms. KWONG Yin Ping Yvonne, our joint company secretary, is the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As the Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices VI and VII.

B. Changes in the Share Capital of the Company

Upon the establishment of the Company on August 18, 1999, our registered capital was RMB3,727.2 million. The major changes to our registered capital are as follows:

- In December 2001, Guotai Junan IM was spun off from the Company and thus our registered capital decreased to RMB3,700 million.

- In January 2006, Central Huijin Investment Ltd. subscribed for 1,000 million newly issued Shares and thus our registered capital increased to RMB4,700 million.

- In March 2012, the Company issued 1,400 million new Shares and thus our registered capital increased to RMB6,100 million.

- In June 2015, the Company issued 1,525 million new Shares which were listed on the Shanghai Stock Exchange and thus our registered capital increased to RMB7,625 million.

C. Resolutions Passed by Our Shareholders' General Meeting in Relation to the [REDACTED]

At the extraordinary general meeting of the Shareholders held on October 24, 2016, the following resolutions, among others, were duly passed:

(a) the issue by the Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall be up to [REDACTED] million, and the grant to the [REDACTED] the [REDACTED] of not more than [REDACTED]% of the number of H Shares issued pursuant to the [REDACTED];

(c) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the [REDACTED], the issue and listing of the H Shares; and

(d) subject to the completion of the [REDACTED], the conditional adoption of the revised Articles of Association, which shall become effective on the [REDACTED].

D. Further Information about Our Subsidiaries

A list of our principal subsidiaries is set out under the financial statements in the Accountants' Report as included in Appendix I. Save as disclosed below, there has been no alteration in the share capital of any of our principal subsidiaries within the two years immediately preceding the date of this document.

(a) The registered capital of Guoxiang Properties increased from RMB5 million to RMB480 million on January 7, 2015.

(b) The registered capital of Guotai Junan Innovational Investment increased from RMB1,500 million to RMB2,200 million on August 25, 2015, from RMB2,200 million to RMB2,800 million on November 5, 2015, from RMB2,800 million to RMB4,400 million on March 3, 2016, and from RMB4,400 million to RMB4,900 million on May 20, 2016.

(c) The registered capital of Guotai Junan Futures increased from RMB700 million to RMB 1,200 million on October 29, 2015.

(d) The share capital of Guotai Junan International increased from HK$5,852.2 million on December 31, 2014 to HK$6,055 million on January 11, 2017.

(e) The registered capital of Shanghai Gelong Entrepreneurship Investment Co. Ltd. increased from RMB5 million to RMB30 million on November 16, 2015, and from RMB30 million to RMB100 million on May 31, 2016.

(f) The share capital of Guotai Junan (Hong Kong) Limited increased from US$262 million to US$520 million on July 7, 2015, and from US$520 million to US$816.3 million on June 22, 2016.

(g) The share capital of Guotai Junan Securities (Hong Kong) Limited increased from HK$3,000 million to HK$4,000 million on 19 June 2015, from HK$4,000 million to HK$4,700 million on August 5, 2015, from HK$4,700 million to HK$5,200 million on February 16, 2016, and from HK$5,200 million to HK$7,500 million on June 22, 2016.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) the [REDACTED] (as more specifically described in "*Underwriting — Underwriting Arrangements and Expenses — [REDACTED] — [REDACTED]*"); and

(b) [●]

B. Our Intellectual Property Rights

As of the Latest Practicable Date, the Company has registered, or has applied for the registration of the following intellectual property rights which were material to the Group's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we considered to be material to our business:

No.	Registration No.	Registered Owner	Trademark Name	Class	Period of Validity
1	3072108	The Company		36	May 21, 2013 to May 20, 2023
2	3281885	The Company	国泰君安 GUOTAI JUNAN	36	May 14, 2014 to May 13, 2024
3	3281884	The Company	GTJA	36	May 14, 2014 to May 13, 2024
4	7135284	The Company	君 弘	36	September 14, 2010 to September 13, 2020
5	7139753	The Company	君 弘	41	November 14, 2010 to November 13, 2020
6	7135287	The Company	君弘财富	36	September 14, 2010 to September 13, 2020
7	7139755	The Company	君弘财富	41	November 14, 2010 to November 13, 2020
8	9220641	The Company		35	February 7, 2014 to February 6, 2024
9	9220584	The Company		36	January 7, 2014 to January 6, 2024
10	9220620	The Company		42	January 28, 2014 to January 27, 2024
11	11103236	The Company	富易	9	November 7, 2013 to November 6, 2023
12	11103240	The Company	国泰君安证券富易	9	November 7, 2013 to November 6, 2023
13	11107218	The Company	国泰君安证券富易	36	November 7, 2013 to November 6, 2023

No.	Registration No.	Registered Owner	Trademark Name	Class	Period of Validity
14	14041918	The Company	国泰君安证券 GUOTAI JUNAN SECURITIES	36	February 21, 2016 to February 20, 2026
15	14041889	The Company	国泰君安证券 GUOTAI JUNAN SECURITIES	35	September 7, 2015 to September 6, 2025
16	14041853	The Company	国泰君安证券 GUOTAI JUNAN SECURITIES	9	February 21, 2016 to February 20, 2026
17	16165810	The Company	国泰君安证券 GUOTAI JUNAN SECURITIES	42	March 28, 2016 to March 27, 2026
18	13947743	The Company	君弘一户通	9	April 14, 2015 to April 13, 2025
19	14262785	The Company	君弘一户通	35	May 7, 2015 to May 6, 2025
20	13947809	The Company	君弘一户通	36	April 14, 2015 to April 13, 2025
21	13947864	The Company	君弘一户通	38	April 21, 2015 to April 20, 2025
22	13947931	The Company	君弘一户通	42	April 14, 2015 to April 13, 2025
23	13947767	The Company	UNION ACCOUNT GUOTAIJUNAN	9	December 28, 2015 to December 27, 2025
24	14262788	The Company	UNION ACCOUNT GUOTAIJUNAN	35	May 7, 2015 to May 6, 2025
25	13947836	The Company	UNION ACCOUNT GUOTAIJUNAN	36	April 14, 2015 to April 13, 2025
26	13947894	The Company	UNION ACCOUNT GUOTAIJUNAN	38	April 21, 2015 to April 20, 2025
27	13947961	The Company	UNION ACCOUNT GUOTAIJUNAN	42	April 14, 2015 to April 13, 2025
28	18110676	The Company	国泰君安证券 GUOTAI JUNAN SECURITIES	38	November 28, 2016 to November 27, 2026

As of the Latest Practicable Date, we have applied to register the following trademarks which we considered to be material to our business, the registration of which had not yet been granted:

No.	Application No.	Class	Trademark	Applicant	Application Date
1	19167419	16	富易	The Company	February 26, 2016
2	19167455	38	富易	The Company	February 26, 2016
3	19167523	42	国泰君安证券富易	The Company	February 26, 2016
4	21980185	9	国泰君安 GUOTAI JUNAN	The Company	November 21, 2016
5	21980333	16	国泰君安 GUOTAI JUNAN	The Company	November 21, 2016
6	21980522	38	国泰君安 GUOTAI JUNAN	The Company	November 21, 2016
7	21980745	42	国泰君安 GUOTAI JUNAN	The Company	November 21, 2016
8	22359980	9	国泰君安君弘	The Company	December 22, 2016
9	22364444	36	国泰君安君弘	The Company	December 22, 2016
10	22364699	38	国泰君安君弘	The Company	December 22, 2016
11	22365469	42	国泰君安君弘	The Company	December 22, 2016

Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

No.	Registered Owner	Domain Name	Period of Validity
1	The Company	gtja.com	January 13, 2000 to January 13, 2021
2	The Company	gtja.cn	March 17, 2003 to March 17, 2019
3	The Company	gtja.com.cn	September 7, 1999 to September 7, 2017
4	The Company	gtjas.com	August 20, 1999 to August 20, 2018
5	The Company	gtjas.cn	March 17, 2003 to March 17, 2019
6	The Company	gtjas.com.cn	September 7, 1999 to September 7, 2017
7	The Company	igtja.com	March 3, 2010 to March 3, 2019
8	The Company	igtja.cn	February 22, 2011 to February 22, 2019
9	The Company	国泰君安.公司	August 21, 2014 to August 21, 2019
10	The Company	国泰君安.网络	November 28, 2014 to March 28, 2019
11	The Company	君弘.com	May 21, 2009 to May 21, 2019
12	The Company	junhongclub.cn	May 21, 2009 to May 21, 2019
13	The Company	junhongclub.com	May 21, 2009 to May 21, 2019
14	GTJA Allianz Funds	vip-funds.com	January 18, 2010 to January 18, 2018
15	Guotai Junan Futures	gtjaqh.com	November 3, 2006 to November 3, 2019
16	Guotai Junan Asset Management	gtjazg.com	November 9, 2010 to November 9, 2018
17	Guotai Junan Innovation Investment	gtjaiic.com	September 3, 2012 to September 4, 2017

No.	Registered Owner	Domain Name	Period of Validity
18	Shanghai Securities	shzq.com	March 24, 2004 to March 24, 2025
19	Shanghai Securities	962518.com	July 3, 2003 to July 4, 2018
20	Hicend Futures	海证期货.com	March 20, 2008 to March 20, 2017

Software copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which we considered to be material to our business:

No.	Copyright Registration No.	Software Name	Copyright Owner	Scope of Copyright	Date of Initial Publication
1.	2009SR09614	Emarketing Securities Marketing Platform Software V1.0 (Emarketing 證券營銷平台軟件V1.0)	The Company	All	September 24, 2007
2.	2009SR013474	Multi-markets Online Transaction Service Platform System V3.11 (多市場網上交易服務平台系統V3.11)	The Company	All	February 1, 2009
3.	2009SR07361	Guotai Junan Internet Website System V3.0 (國泰君安互聯網站系統V3.0)	The Company	All	January 10, 2009
4.	2009SR07101	Guotai Junan Securities Brokerage Service Platform V1.0 (國泰君安證券經紀業務服務平台V1.0)	The Company	All	December 1, 2005

No.	Copyright Registration No.	Software Name	Copyright Owner	Scope of Copyright	Date of Initial Publication
5.	2009SR056314	Guotai Junan Securities Compliance Administration Platform V1.0 (國泰君安證券合規管理平台V1.0)	The Company	All	June 1, 2009
6.	2011SR039792	Guotai Junan Securities Arithmetic Transaction Platform (國泰君安證券算法交易平台V1.0)	The Company	All	October 19, 2010
7.	2011SR039788	Guotai Junan Securities Supporting Integrated Investor Proper Management and Dedicated Market Platform V2.2 (國泰君安證券支持整合的投資者適當性管理與精細化營銷平台V2.2)	The Company	All	January 1, 2010
8.	2010SR045141	Guotai Junan Securities E.T. Guard Identity Certification Platform Software V1.0 (國泰君安證券E.T.衛士身份認證平台軟件V1.0)	The Company	All	March 19, 2010
9.	2013SR051303	Guotai Junan Securities Enterprise Mobile Operation Supporting Platform Software V2.0 (國泰君安證券企業移動運作支持平台軟件V2.0)	The Company	All	January 1, 2012
10.	2013SR095489	Guotai Junan Comprehensive Wealth Management Service Platform (國泰君安綜合理財服務平台)	The Company	All	January 18, 2013

No.	Copyright Registration No.	Software Name	Copyright Owner	Scope of Copyright	Date of Initial Publication
11.	2015SR164004	Big Data Application Platform Based on Users' Image System (基於用戶畫像體系的大數據應用平台) (GTJA-BIGDATA) V1.0	The Company	All	July 1, 2014
12.	2015SR163997	Guotai Junan Yiyangzhi Mobile Application Software (國泰君安易陽指移動應用軟件) (GTJA-YYZ) V1.0	The Company	All	June 8, 2007
13.	2015SR163994	Guotai Junan Integrated Wealth Management Services Platform Sub-Account Accounting Unit Software (國泰君安綜合理財服務平台分賬核算單元軟件 (GTJA-ZHONGHELICAI-FTU)) V1.0	The Company	All	January 18, 2014
14.	2015SR163992	Guotai Junan User Center System (國泰君安用戶中心系統 (GTJA-UCenter)) V1.0	The Company	All	April 17, 2014
15.	2015SR163697	Jun Hong One Platform Through Software (君弘一戶通軟件) (JHYHT) V2.0	The Company	All	February 26, 2014
16.	2015SR082662	Guotai Junan Jun Hong Baishitong Cloud Platform (國泰君安君弘百事通投顧雲平台)V6.0	The Company	All	October 20, 2014

Patent

As of the Latest Practicable Date, we have registered the following know-hows which we considered to be material to our business:

No.	Patent Registration No.	Patent Name	Registered Owner	Scope of Right	Date of Authorization Announcement
1	ZL201210501740.4	Securities Core Business System Monitoring Method (證券核心業務系統監控方法)	The Company	All	March 30, 2016
2	ZL2012105022027.1	Customer Authentication System and Authentication Method (客戶身份認證系統及認證方法)	The Company	All	May 4, 2016

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we will enter into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of the Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

B. Remuneration of Directors and Supervisors

For the years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016, the total remuneration paid to our Directors amounted to RMB11.1 million, RMB12.3 million and RMB10.9 million, respectively.

For the years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016, the total remuneration paid to our Supervisors amounted to RMB10.8 million, RMB10.7 million and RMB6.6 million, respectively.

Under the arrangement currently in force, the total fixed remuneration (before tax) paid to Directors and Supervisors for the year ended December 31, 2016 was approximately RMB6.4 million, and we estimate the total fixed remuneration (before tax) payable to Directors and Supervisors for the year ending December 31, 2017 will be RMB5.9 million.

During the Track Record Period, no fees were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Except for the seven non-executive Directors and Mr. Shi Derong, none of the Directors or Supervisors waived any remuneration during the relevant period.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the [REDACTED] assuming that the [REDACTED] is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company, once the H Shares are listed on the Hong Kong Stock Exchange.

Up to the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the [REDACTED], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see "*Substantial Shareholders*."

To the best knowledge of our Directors, the following persons (other than our Directors, Supervisors and the chief executives) will, immediately following the completion of the [REDACTED], directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any other members of the Company:

Interests of substantial shareholders in our member companies (excluding the Company)

Member of the Group	Name of Shareholder with 10% or More Equity Interest (Other than Us)	Approximate Percentage of Shareholding of the Substantial Shareholder (%)
Shanghai Securities	International Group	15.67%
	Shangguotou Assets Management	33.33%
GTJA Allianz Funds	Allianz AG	49%
Shanghai Shipping Industry Fund Management Co., Ltd.	Shanghai Hongkou District State Asset Operation Co. Ltd. (上海虹口區國有資產經營有限公司)	10%
Guotai Junan Fund Management Limited	Best New Management Limited	20.1%
	Golden Investor Investments Limited	29.9%

C. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;

(c) without taking into account any Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the [REDACTED], have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(d) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Hong Kong Listing Rules) or Shareholders of the Company who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on the Company or its subsidiaries.

B. Litigation

As of the Latest Practicable Date, save as disclosed in "*Business — Legal and Regulatory*", no member of the Group was engaged in any outstanding material litigation or arbitration which may have material and adverse effect on the [REDACTED] and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

C. Joint Sponsors

Guotai Junan Capital Limited is a subsidiary of the Company and as such it is not independent of the Company. Each of Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and SPDB International Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, H Shares to be issued as set out in this document and any H Shares which may be issued subject to the exercise of [REDACTED] on the Main Board of the Hong Kong Stock Exchange.

Pursuant to the engagement letter entered into between the Company and each of the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$500,000 (or HK$3,877,550) to act as the sponsors of the Company in connection with the proposed listing on the Hong Kong Stock Exchange.

D. Joint Compliance Advisors

The Company has appointed Guotai Junan Capital Limited and Huarong International Capital Limited as the joint compliance advisors upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

E. Preliminary Expenses

We have not incurred any preliminary expenses.

F. Promoters

The information of our promoters is as follows:

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
1.	Shanghai Municipal Finance Bureau (上海市財政局)	610,690,000	16.38
2.	Shenzhen Investment Management Co., Ltd. (深圳市投資管理公司)	586,680,000	15.74
3.	State Electronic Corporation of China (國家電力公司)	200,000,000	5.37
4.	China FAW Group Corporation (中國第一汽車集團公司)	150,000,000	4.02
5.	Shenzhen Energy Group Company Limited (深圳市能源集團有限公司)	120,000,000	3.22
6.	Shanghai Dazhong Taxi & Car Leasing Company (上海大衆出租汽車股份有限公司)	120,000,000	3.22
7.	China National Publications Import & Export Corporation (中國圖書進出口總公司)	108,000,000	2.90
8.	Hangzhou Financial Development Company (杭州市財務開發公司)	100,000,000	2.68
9.	Anhui Huamao Group Co., Ltd. (安徽華茂紡織股份有限公司)	100,000,000	2.68
10.	China National Nuclear Corporation (中國核工業集團公司)	80,660,000	2.16
11.	Zhejiang Zhongda Group Holding Co., Ltd. (浙江中大集團控股有限公司)	80,000,000	2.15
12.	Shenergy (Group) Company Limited (申能 (集團) 有限公司)	70,000,000	1.88
13.	Shanghai Industrial Investment (Group) Co., Ltd (上海工業投資 (集團) 有限公司)	70,000,000	1.88
14.	State Development & Investment Corporation (國家開發投資公司)	68,980,000	1.85
15.	Shanghai New Jinjiang Company Limited (上海新錦江股份有限公司)	60,000,000	1.61

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
16.	Chengdu Iron Tower Factory (成都鐵塔廠)	60,000,000	1.61
17.	Guangzhou New Century Group Company Limited (廣州市新世紀集團有限公司)	60,000,000	1.61
18.	Luzhou Laojiao Group Co., Ltd. (瀘州老窖股份有限公司)	50,000,000	1.34
19.	Yancon Group Company Limited (兗礦集團有限公司)	50,000,000	1.34
20.	Shenzhen Huineng Group Company (深圳市慧能集團公司)	43,040,000	1.15
21.	Bank of Communications (中國交通銀行)	39,850,000	1.07
22.	Overseas Chinese Town Enterprises Co., (華僑城集團公司)	38,320,000	1.03
23.	Dalian Refrigeration Co., Ltd. (大連冷凍機股份有限公司)	37,890,000	1.02
24.	Shanghai Aerospace Automobile Electromechanical Co., Ltd. (上海航天汽車機電股份有限公司)	35,000,000	0.94
25.	China Huaneng Group (華能集團公司)	30,660,000	0.82
26.	China Petro-Chemical Corporation Group (中國石油化工集團公司)	30,660,000	0.82
27.	China National Petroleum Corporation (中國石油天然氣集團公司)	30,660,000	0.82
28.	Shandong Yongxing Mining Investment Co., Ltd. (山東永興礦業投資有限公司)	30,000,000	0.80
29.	Fujian Furi Electronics Co., Ltd. (福建福日電子股份有限公司)	30,000,000	0.80
30.	Shanxi Qinchuan Machinery Development Co., Ltd. (陝西秦川機械發展股份有限公司)	20,000,000	0.54
31.	Westlake Electronics Group Co., Ltd. (西湖電子集團有限公司)	20,000,000	0.54
32.	White Dove (Group) Responsible Co., Ltd. (白鴿 (集團) 股份有限公司)	15,330,000	0.41

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
33.	China National Chemicals Import & Export Co. (中國化工進出口總公司)	15,330,000	0.41
34.	Zhejiang Weixing Group Co., Ltd. (浙江偉星集團有限公司)	15,000,000	0.40
35.	Northwest Yongxin Chemical Industry Co., Ltd. (西北永新化工股份有限公司)	15,000,000	0.40
36.	Shenzhen Airport Co., Ltd. (深圳市機場股份有限公司)	14,560,000	0.39
37.	Zhejiang Zhongda Group Co., Ltd. (浙江中大集團股份有限公司)	10,000,000	0.27
38.	Xi'an Aircraft International Corporation (西安飛機國際航空製造股份有限公司)	10,000,000	0.27
39.	Shandong Fuhua Industrial Co., Ltd. (山東富華實業有限公司)	10,000,000	0.27
40.	Yunnan Tin Group (雲南錫業公司)	10,000,000	0.27
41.	Shandong Mount Tai Travel Cable Co., Ltd. (山東泰山旅遊索道股份有限公司)	10,000,000	0.27
42.	Changfeng Science Technology Industry Group Corporation (長鋒科技工業集團公司)	10,000,000	0.27
43.	Shanghai Metallurgical Company (上海冶金爐料公司)	10,000,000	0.27
44.	Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司)	10,000,000	0.27
45.	Shandong Linyi Investment Company (山東省臨沂市投資公司)	10,000,000	0.27
46.	Chengdu Wan Dan Trading Company (成都市萬擔商貿公司)	10,000,000	0.27
47.	Yunnan Xinhua Bookstore Group Co., Ltd. (雲南新華書店集團有限公司)	10,000,000	0.27
48.	Zhengzhou Baiwen Co., Ltd. (鄭州百文股份有限公司)	7,970,000	0.21
49.	Shenergy Company Limited (申能股份有限公司)	7,660,000	0.21

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
50.	China Automobile Industry Corporation (中國汽車工業總公司)	7,660,000	0.21
51.	China National Tobacco Corporation (中國煙草總公司)	7,660,000	0.21
52.	China International Engineering Consulting Company (中國國際工程諮詢公司)	7,660,000	0.21
53.	China National Technical Import & Export Corporation (中國技術進出口總公司)	7,660,000	0.21
54.	China National Cereals, Oils and Foodstuffs Corporation (中國糧油食品進出口總公司)	7,660,000	0.21
55.	Zhongse Asset Management Co., Ltd. (中色資產管理有限公司)	7,660,000	0.21
56.	Minmetals Group Financial Company (五礦集團財務公司)	7,660,000	0.21
57.	China Railway Construction Corporation Co., Ltd. (中國鐵道建築總公司)	7,660,000	0.21
58.	North China Electric Power Group Corporation (中國華北電力集團公司)	7,660,000	0.21
59.	China Economic Development Trust & Investment Corporation (中國經濟開發信託投資公司)	7,660,000	0.21
60.	China Iron and Steel Industry and Trade Group Corporation (中國鋼鐵工貿集團公司)	7,660,000	0.21
61.	China North Industries Group Corporation (中國兵器工業總公司)	7,660,000	0.21
62.	Wuhan Iron and Steel (Group) Corporation (武漢鋼鐵 (集團) 公司)	7,660,000	0.21
63.	Shanghai Municipal Investment Development Company (上海市城市建設投資開發總公司)	7,660,000	0.21

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
64.	Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd. (上海外高橋保税區開發股份有限公司)	7,660,000	0.21
65.	Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易區開發股份有限公司)	7,660,000	0.21
66.	Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	7,660,000	0.21
67.	Shanghai Petrochemical Company Limited (上海石油化工股份有限公司)	7,660,000	0.21
68.	Dagang Oilfield Group Limited (大港油田集團有限責任公司)	7,660,000	0.21
69.	Tianjin Huanhai Company (天津環海公司)	7,660,000	0.21
70.	Tianjin Economic-Technological Development Area Company (天津經濟技術開發區總公司)	7,660,000	0.21
71.	CITIC Securities Company Limited (中信證券有限責任公司)	7,660,000	0.21
72.	Fujian Huaxing Finance Securities Company (福建華興財政證券公司)	6,890,000	0.18
73.	Beijing Yinjian Real Estate Development Company (北京銀建房地產開發公司)	6,130,000	0.16
74.	China Zhongyuan Engineering Corporation (中國中原對外工程公司)	6,000,000	0.16
75.	Shenzhen Shipbuilding Trading Co., Ltd. (深圳船舶工業貿易公司)	5,000,000	0.13
76.	Gezhouba Group Industrial Investment Co., Ltd. (葛洲壩集團實業投資有限公司)	5,000,000	0.13
77.	Gezhouba Company Limited (葛洲壩股份有限公司)	5,000,000	0.13
78.	Hubei Golden Ring Co., Ltd. (湖北金環股份有限公司)	5,000,000	0.13

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
79.	Changchai Company Limited (常柴股份有限公司)	5,000,000	0.13
80.	Jilin ASEAN Group Limited (吉林省東盟集團股份有限公司)	5,000,000	0.13
81.	Nanjing Iron & Steel Group Corporation (南京鋼鐵集團有限公司)	5,000,000	0.13
82.	China Grains Oils Group Corporation (中穀糧油集團公司)	5,000,000	0.13
83.	China National Sugar & Wines Group Corporation (中國糖業酒類集團公司)	5,000,000	0.13
84.	Jiangxi Changyun Co., Ltd. (江西長運集團有限公司)	5,000,000	0.13
85.	Jiangsu Tongwang Equipment Installation Engineering Company (江蘇通旺設備安裝工程公司)	5,000,000	0.13
86.	Shanghai Assets and Equity Exchange (上海產權交易所)	5,000,000	0.13
87.	Shenzhen Baoan Jiangtong Southern Corporation (深圳寶安江銅南方總公司)	5,000,000	0.13
88.	Guizhou China No. 7 Grinding Wheel Co., Ltd. (貴州中國第七砂輪股份有限公司)	5,000,000	0.13
89.	Shanghai Beicai Industrial Company (上海北蔡實業總公司)	5,000,000	0.13
90.	Tibet Changdu Area Economic and Trade Development Corporation (西藏昌都地區經濟貿易開發總公司)	5,000,000	0.13
91.	China Chengda Chemical Engineering Co., Ltd. (中國成達化學工程公司)	5,000,000	0.13
92.	Shanxi Hanjiang Building Materials Limited (陝西漢江建材股份有限公司)	5,000,000	0.13
93.	The People's Insurance (Property) Company of China, Ltd. (中保財產保險有限公司)	4,590,000	0.12
94.	Shanghai Baosteel Group Corporation (上海寶鋼集團公司)	4,590,000	0.12

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
95.	Shenzhen Baoan Gold Jewelry Service Company (深圳市寶安金飾品服務公司)	4,300,000	0.12
96.	Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd. (焦作萬方鋁業股份有限公司)	3,980,000	0.11
97.	Chinese People's Liberation Army General Logistics Department Financial Settlement Center (中國人民解放軍總後財務結算中心)	3,830,000	0.10
98.	China National Aero-Technology Import & Export Corporation Shanghai Company (中國航空技術進出口上海分公司)	3,830,000	0.10
99.	Shanghai Municipal Electric Power Company (上海市電力公司)	3,830,000	0.10
100.	Shanghai Machinery Import & Export (Group) Company Limited (上海機械進出口 (集團) 有限公司)	3,830,000	0.10
101.	Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. (中國石化上海高橋石油化工公司)	3,830,000	0.10
102.	Sinopec Supplies and Equipment Company (中國石化物資裝備公司)	3,830,000	0.10
103.	Sinopec Jinling Petrochemical Co., Ltd. (中國石化金陵石油化工公司)	3,830,000	0.10
104.	Shanghai Meishan Iron & Steel Co., Ltd. (上海梅山 (集團) 有限公司)	3,830,000	0.10
105.	Shanghai Jiushi Company (上海久事公司)	3,830,000	0.10
106.	Yangtze River United Economic Development Co., Ltd. (長江經濟聯合發展股份有限公司)	3,830,000	0.10
107.	China Gaoxin Investment Group Corporation (中國高新輕紡投資公司)	3,830,000	0.10
108.	China Credit Trust Co., Ltd. (中煤信託投資有限責任公司)	3,830,000	0.10

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
109.	Ma Steel (Group) Holding Limited (馬鋼 (集團) 控股有限公司)	3,830,000	0.10
110.	Tianjin Iron Factory (天津鐵廠)	3,830,000	0.10
111.	Tianjin Finance Investment Management Center (天津市財政投資管理中心)	3,830,000	0.10
112.	Beijing Securities Limited (北京證券有限責任公司)	3,830,000	0.10
113.	Heilongjiang Electric Power Company Limited (黑龍江電力股份有限公司)	3,830,000	0.10
114.	Fujian Electric Power Company (福建省電力工業局)	3,060,000	0.08
115.	Shanghai Aijian Trust & Investment Co., Ltd. (上海愛建信託投資公司)	2,290,000	0.06
116.	Shenyang Trust Investment Company (瀋陽市信託投資公司)	2,290,000	0.06
117.	Tianjin Global Magnetic Card Co., Ltd. (天津環球磁卡股份有限公司)	2,290,000	0.06
118.	Beijing Huarong Investment Company (北京華融綜合投資公司)	2,290,000	0.06
119.	Tianjin University (天津大學)	1,990,000	0.05
120.	Tianjin Development Zone Industrial Investment Company (天津開發區工業投資公司)	1,830,000	0.05
121.	China High-tech Group Company Limited (中國高科集團股份有限公司)	1,530,000	0.04
122.	China National Heavy Duty Truck Group Co., Ltd. (中國重型汽車集團公司)	1,530,000	0.04
123.	Shanghai Packing and Decorating Company (上海包裝裝潢公司)	1,530,000	0.04
124.	Shanghai City Bank (上海市城市銀行)	1,530,000	0.04
125.	Guangzhou Shipyard Factory (廣州造船廠)	1,530,000	0.04

No.	Name of Shareholder	Number of Shares at the time of our establishment	Shareholding (%) at the time of our establishment
126.	Panda Electronics Group Company Nanjing Wireless Factory (熊貓電子集團公司南京無綫電廠)	1,530,000	0.04
127.	Ningbo Jinbao Group Co., Ltd. (寧波金寶集團有限公司)	1,530,000	0.04
128.	Shenyang Commercial Bank Co., Ltd. (瀋陽商業銀行股份有限公司)	1,530,000	0.04
129.	Shenyang Electric Power Bureau Power Supply Engineering Contracting Company (瀋陽電力局供用電工程承發包公司)	1,530,000	0.04
130.	Shanghai Airport Authority (上海機場 (集團) 有限公司)	760,000	0.02
131.	Shanghai No. 7 Printing and Dyeing Factory (上海第七印染廠)	760,000	0.02
132.	Kunming Machine Group Company (昆明昆機集團公司)	760,000	0.02
133.	Harbin Dongbao Real Estate Development Co., Ltd. (哈爾濱東寶房地產開發有限公司)	760,000	0.02
134.	Tianjin Changlu Industry Co., Ltd. (天津市長蘆實業公司)	760,000	0.02
135.	Tianjin Teda Co., Ltd. (天津泰達股份有限公司)	760,000	0.02
136.	Tianjin Jinmei Group Company (天津津美集團公司)	760,000	0.02
	Total	**3,727,180,000**	**100.00**

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

G. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
Guotai Junan Capital Limited	A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities
Goldman Sachs (Asia) L.L.C.	A corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Merrill Lynch Far East Limited	A corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
SPDB International Capital Limited	A corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified Public Accountants
Haiwen & Partners	PRC legal advisors

H. Consents of Experts

Each of the experts named in paragraph G of this Appendix has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

Save as disclosed in this document, none of the experts named above has any shareholding interests in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of the Company, including in

circumstances where such transaction is effect on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "*Appendix IV—Taxation and Foreign Exchange*".

J. No Material and Adverse Change

Save as disclosed in this document, our Directors confirm that there has been no material and adverse change in the financial or trading position of the Group since September 30, 2016.

K. Binding Effect

This document shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in "*Appendix I—Accountants' Report—59. Related Party Relationships and Transactions*".

M. Restriction on Share Repurchases

For details of the restrictions on share repurchases by the Company, please refer to "*Appendix VII — Summary of Articles of Association.*"

N. Miscellaneous

Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document:

(i) no share or loan capital of the Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of the Group is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of the Group; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company;

(b) there are no founder, management or deferred shares or any debentures in the Group;

(c) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document;

(d) the Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our A Shares, the Convertible Bonds to be issued, and other debt securities which are listed on the Shanghai Stock Exchange, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) the Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

O. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the WHITE, YELLOW and GREEN [REDACTED];

(b) copies of material contracts referred to in "*2. Further Information About Our Business—A. Summary of Our Material Contracts*" in Appendix VIII; and

(c) the written consents referred to in "*5. Other information—H. Consents of Experts*" in Appendix VIII.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association of the Company;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I;

(c) the audited consolidated financial statements of the Group for the years ended December 31, 2014 and December 31, 2015;

(d) the unaudited interim financial information of the Group for the nine months ended September 30, 2016 which is set out in Appendix II;

(e) the report from Ernst & Young relating to the unaudited pro forma financial information, the text of which is set out in Appendix III;

(f) the material contracts referred to in "*2. Further Information About Our Business—A. Summary of Our Material Contracts*" in Appendix VIII;

(g) the written consents referred to in "*5. Other information—H. Consents of Experts*" in Appendix VIII;

(h) the contracts referred to in "*3. Further Information About Our Directors and Supervisors—A. Particulars of Directors' and Supervisors' Contracts*" in Appendix VIII;

(i) the legal opinions issued by Haiwen & Partners our legal advisor as to PRC law in respect of our general matters and property interests of the Group;

(j) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations; and

(k) the SSE Listing Rules, together with an unofficial English translation.

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

"A Share(s)"	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and are traded in RMB
"A Share Offering"	the initial public offering and listing of the A Shares of the Company on the Shanghai Stock Exchange in June 2015
"[REDACTED]"	**WHITE** [REDACTED], **YELLOW** [REDACTED] and **GREEN** [REDACTED], or where the context so requires, any of them, relating to the [REDACTED]
"Arbitration Law"	the PRC Arbitration Law (as amended, supplemented or otherwise modified from time to time)
"Articles of Association" or "Articles"	the articles of association of the Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in Appendix VII
"Board" or "Board of Directors"	the Board of Directors of the Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
"CAS"	the China Accounting Standards for Business Enterprises
"CB Issuance"	the proposed issuance of the Convertible Bonds by the Company
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan
"China Securities Finance"	China Securities Finance Corporation Limited (中國證券金融股份有限公司), a joint stock limited company incorporated in the PRC in October 2011 which provides, among other services, margin and securities refinancing services to support the margin financing and securities lending business of PRC securities firms
"CIFM"	China International Fund Management Co., Ltd. (上投摩根基金管理有限公司), a limited liability company incorporated in the PRC in May 2004, which was held as to 51% by Shanghai Trust as of the Latest Practicable Date, being an Independent Third Party
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "Guotai Junan Securities"	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock limited company incorporated in the PRC in August 1999, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601211) and if the context requires, includes its predecessors Guotai Securities and Junan Securities
"Company Law" or "PRC Company Law"	Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Constitution"	the PRC Constitution, as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder"	has the meaning given to it in the Hong Kong Listing Rules, and in the context of this document, refers to International Group

"Convertible Bonds"	the convertible bonds that can be converted into A Shares in the aggregate principal amount of no more than RMB7 billion to be issued by the Company as authorized by the Shareholders' general meeting on May 19, 2016
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Dealogic"	Dealogic, an international financial data and information provider, being an Independent Third Party
"Director(s)"	director(s) of the Company
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"EIT Rules"	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Foreign Exchange Control Regulations"	the Regulations of the People's Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例), as amended, supplemented or otherwise modified from time to time
"GDP"	gross domestic product
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"GREEN [REDACTED]"	the [REDACTED] to be completed by the [REDACTED] Service Provider, [REDACTED]
"Group," "the Group," "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"GTJA Allianz Funds"	GTJA Allianz Funds Management Co., Ltd. (國聯安基金管理有限公司), a limited liability company incorporated in the PRC in April 2003, which was held as to 51% by the Company and 49% by Allianz AG, an Independent Third Party, as of the Latest Practicable Date

"Guotai Junan Asset Management"	Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司), a limited liability company incorporated in the PRC in August 2010, being a wholly-owned subsidiary of the Company
"Guotai Junan Financial Holdings"	Guotai Junan Financial Holdings Co., Ltd. (國泰君安金融控股有限公司), a limited liability company incorporated in Hong Kong in August 2007, being a wholly-owned subsidiary of the Company
"Guotai Junan Futures"	Guotai Junan Futures Co., Limited (國泰君安期貨有限公司), a limited liability company incorporated in the PRC in April 2000, being a wholly-owned subsidiary of the Company
"Guotai Junan Holdings"	Guotai Junan Holdings Limited (國泰君安控股有限公司), a limited company incorporated in the British Virgin Islands in March 2010, being a wholly-owned subsidiary of the Company
"Guotai Junan IM"	Guotai Junan Investment Management Co., Ltd. (國泰君安投資管理股份有限公司), a joint stock limited company incorporated in the PRC in December 2001, which was held as to 33.14% by Shanghai SA as of the Latest Practicable Date, being a connected person of us
"Guotai Junan Innovation Investment"	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司), a limited liability company incorporated in the PRC in May 2009, being a wholly-owned subsidiary of the Company
"Guotai Junan International"	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), a limited liability company incorporated in Hong Kong in March 2010, the H shares of which are listed on Hong Kong Stock Exchange (stock code: 1788), which was held as to approximately 64.97% by Guotai Junan Holdings as at the Latest Practicable Date, being an indirect subsidiary of the Company
"Guotai Securities"	Guotai Securities Co., Ltd. (國泰證券有限公司), one of the predecessors of the Company, a limited liability company incorporated in the PRC in September 1992
"Guoxiang Properties"	Shanghai Guoxiang Properties Co., Ltd. (上海國翔置業有限公司), a limited liability company incorporated in the PRC in December 2011, being a wholly-owned subsidiary of the Company

"H Share(s)"	overseas listed foreign shares of the Company with nominal value of RMB1.00 each, which are to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Share Registrar"	[REDACTED]
"Haiji Securities"	Haiji Securities Co., Ltd. (海際證券有限責任公司), a limited liability company incorporated in the PRC in September 2004, which was held as to 94.92% by Guiyang Financial Holdings Limited (貴陽金融控股有限公司), an Independent Third Party, and 5.08% by Shanghai Securities as of the Latest Practicable Date
"Hicend Futures"	Hicend Futures Co., Ltd. (海證期貨有限公司), a limited liability company incorporated in the PRC in December 1995, being a wholly-owned subsidiary of Shanghai Securities
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Hong Kong [REDACTED]"	the [REDACTED] H Shares initially [REDACTED] by the Company [REDACTED] at the [REDACTED] pursuant to the [REDACTED] (subject to reallocation as described in "*Structure of the [REDACTED]*")
"[REDACTED]"	the offer of the Hong Kong [REDACTED] for subscription by the public in Hong Kong (subject to adjustment as described in "*Structure of the [REDACTED]*") at the [REDACTED] (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this document and on the [REDACTED] as further described in "*Structure of the [REDACTED]—[REDACTED]*"

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"[REDACTED]"	the [REDACTED] of the [REDACTED] listed in "*Underwriting—[REDACTED]*"
"[REDACTED]"	the underwriting agreement dated [●] relating to the [REDACTED] and entered into by, among others, the Company and the [REDACTED], as further described in "*Underwriting—Underwriting Arrangements and Expenses*"
"HuaAn Funds"	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司), a limited liability company incorporated in the PRC in June 1998, which was held as to 20% by each of Shanghai Electric, Guotai Junan IM and Shangguotou Assets Management, respectively, as of the Latest Practicable Date
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules as far as the Directors are aware after having made all reasonable enquiries
"International Group"	Shanghai International Group Co., Ltd. (上海國際集團有限公司), a limited liability company incorporated in the PRC in April 2000, being our Controlling Shareholder which is directly administered by the Shanghai SASAC
"International Group Asset Management"	Shanghai International Group Asset Management Co., Ltd. (上海國際集團資產管理有限公司), a limited liability company incorporated in the PRC in December 1987, being a Shareholder and our connected person, and a wholly-owned subsidiary of International Group
"International Group Asset Operation"	Shanghai International Group Asset Operation Co., Ltd. (上海國際集團資產經營有限公司), a limited liability company incorporated in the PRC in December 1990, being a Shareholder and our connected person, and a wholly-owned subsidiary of International Group

"International [REDACTED]"	the [REDACTED] H Shares initially [REDACTED] by the Company for [REDACTED] pursuant to the [REDACTED] together with, where relevant, any additional H Shares which may be issued by the Company pursuant to the exercise of the [REDACTED] (subject to reallocation as described in "*Structure of the [REDACTED]*")
"[REDACTED]"	the offer of the International [REDACTED] by the [REDACTED] at the [REDACTED] outside the United States in offshore transactions in accordance with Regulation S, and in the United States to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in "*Structure of the [REDACTED]*"
"[REDACTED]"	the group of [REDACTED], led by the [REDACTED], that is expected to enter into the [REDACTED] to underwrite the [REDACTED]
"[REDACTED]"	the underwriting agreement expected to be entered into on or around [●] by, among others, the Company and the [REDACTED] in respect of the [REDACTED], as further described in "*Underwriting—The [REDACTED]*"
"[REDACTED]"	[●]
"[REDACTED]"	[●]
"[REDACTED]"	[●]
"Joint Sponsors"	Guotai Junan Capital Limited, Goldman Sachs (Asia) L.L.C., Merrill Lynch Far East Limited and SPDB International Capital Limited
"Junan Securities"	J&A Securities Co., Ltd. (君安證券有限責任公司), one of the predecessors of the Company, a limited liability company incorporated in the PRC in October 1992
"Latest Practicable Date"	January 12, 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

"[REDACTED]"	the date, expected to be on or around [REDACTED], on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"National Bureau of Statistics"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展改革委員會)
"New York Convention"	Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
"[REDACTED]"	the final price per [REDACTED] in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$[REDACTED] and expected to be not less than HK$[REDACTED], at which Hong Kong [REDACTED] are to be subscribed, to be determined in the manner further described in "*Structure of the [REDACTED]—Pricing of the [REDACTED]*"

"[REDACTED]"	the Hong Kong [REDACTED] and the International [REDACTED], together with, where relevant, any additional H Shares which may be issued by the Company pursuant to the exercise of the [REDACTED]
"[REDACTED]"	the option expected to be granted by the Company to the [REDACTED], exercisable by the [REDACTED] (on behalf of the [REDACTED]) pursuant to the [REDACTED], pursuant to which the Company may be required to allot and issue up to an aggregate of [REDACTED] additional H Shares at the [REDACTED] to, among other things, cover over-allocations in the [REDACTED], if any, further details of which are described in "*Structure of the [REDACTED]*"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"[REDACTED]"	the agreement to be entered into by the [REDACTED] (for themselves and on behalf of the [REDACTED]) and the Company on the [REDACTED] to record and fix the [REDACTED]
"[REDACTED]"	the date, expected to be on or around [REDACTED] (Hong Kong time) on which the [REDACTED] is determined, or such later time as the [REDACTED] (for themselves and on behalf of the [REDACTED]) and the Company may agree, but in any event no later than [REDACTED]
"document"	this document being issued in connection with the [REDACTED]
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act
"Regulation S"	Regulation S under the U.S. Securities Act
"Risk Control Indicator Measures"	the Administrative Measures for the Risk Control Indicators of Securities Companies (證券公司風險控制指標管理辦法) promulgated by CSRC (as amended, supplemented or otherwise modified from time to time)
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAC"	the Securities Association of China (中國證券業協會)
"SAFE"	the State Administration of Foreign Exchange of the PRC (國家外匯管理局)
"SAFE Notice"	Notice of the State Administration of Taxation on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (as amended, supplemented or otherwise modified from time to time)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (國家税務總局)
"SCNPC"	the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shangguotou Assets Management"	Shanghai Shangguotou Assets Management Co., Ltd. (上海上國投資產管理有限公司), a limited liability company incorporated in the PRC in March 2015, being a Shareholder and our connected person, it was held as to 66.33% by International Group as of the Latest Practicable Date
"Shanghai Electric"	Shanghai Electric Group Corp. (上海電氣(集團)總公司), a limited liability company incorporated in the PRC in January 1985, being an Independent Third Party
"Shanghai-Hong Kong Stock Connect Tax Policy"	the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets《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》, as amended, supplemented or otherwise modified from time to time
"Shanghai SA"	Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司), a limited liability company incorporated in the PRC in September 1999, being a Shareholder and our connected person, and a wholly-owned subsidiary of International Group

"Shanghai SASAC"	the State-owned Assets Supervisions Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會)
"Shanghai Securities"	Shanghai Securities Co., Ltd. (上海證券有限責任公司), a limited liability company incorporated in the PRC in April 2001, which was held as to 51%, 15.76% and 33.33% by the Company, International Group and Shangguotou Assets Management, respectively, as of the Latest Practicable Date
"Shanghai Trust"	Shanghai International Trust Co., Ltd. (上海國際信託有限公司), a limited liability company incorporated in the PRC in May 1981, being an Independent Third Party, it was held as to 97.33% by SPD Bank as of the Latest Practicable Date
"Share(s)"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Investment Holdings"	Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司), a limited liability company incorporated in the PRC in October 2004, being a Shareholder and an Independent Third Party
"Shenzhen SASAC"	the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality (深圳市人民政府國有資產監督管理委員會)
"SME(s)"	small and medium enterprise(s)
"SOE(s)"	state-owned enterprise(s)
"SPD Bank"	Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司), a joint-stock limited company incorporated in the PRC in August 1992, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600000), which was controlled as to approximately 26.55% by International Group as of the Latest Practicable Date

"SPDB International"	SPDB International Holdings Limited (浦銀國際控股有限公司), a limited liability company incorporated in Hong Kong in May 1997, being a wholly-owned subsidiary of SPD Bank and an Independent Third Party
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"SSE Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規定), as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	[●]
"State Council"	the State Council of the People's Republic of China (中華人民共和國中央人民政府)
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Three Policy Banks"	China Development Bank (國家開發銀行), The Export-Import Bank of China (中國進出口銀行) and Agricultural Development Bank of China (中國農業發展銀行)
"Top Five Securities Companies"	the five largest securities firms in China in terms of consolidated net assets on December 31, 2015, comprising CITIC Securities, Haitong Securities, Guotai Junan Securities, Huatai Securities and GF Securities
"Track Record Period"	the two years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"Underwriting Agreements"	the [REDACTED] and the [REDACTED]
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. person"	a U.S. person, as defined of Rule 902 of Regulation S

"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"WHITE [REDACTED]"	the [REDACTED] for use by the public who require(s) such Hong Kong [REDACTED] to be issued in the applicant's own name
"[REDACTED]"	the application for Hong Kong [REDACTED] to be issued in the applicant's own name by submitting applications online through the designated website of [REDACTED] at [REDACTED]
"[REDACTED]"	[REDACTED]
"Wind Info"	Wind Information Co., Ltd. (萬得資訊技術股份有限公司), a company with limited liability incorporated in the PRC in 1994 and a service provider of financial data, information and software, being an Independent Third Party
"YELLOW [REDACTED]"	the [REDACTED] for use by the public who require(s) such Hong Kong [REDACTED] to be deposited directly into CCASS

In this document, the terms "associate(s)," "close associate(s)," "connected person(s)," "core connected person(s)," "connected transaction," "controlling shareholder(s)," "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages. In the event of any inconsistency, the Chinese versions shall prevail.

This glossary of technical terms contains explanations of certain technical terms used in this document. As such these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"A share(s)"	in the context of the capital markets, the shares that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
"affluent account(s)"	securities brokerage account(s) with a balance of at least RMB500,000, but less than RMB5.0 million
"AUM"	the amount of assets under management
"average brokerage commission rate"	the ratio of the fee and commission income from stocks and funds brokerage business divided by brokerage trading volume for stocks and funds
"B share(s)"	foreign invested shares that are traded on the Shanghai Stock Exchange in U.S. dollars or Shenzhen Stock Exchange in HK dollars
"bps"	basis points
"CAGR"	compound annual growth rate
"ChiNext Board"	the growth enterprise board launched by the Shenzhen Stock Exchange
"collateral coverage ratio"	for stock-pledged financing and securities repurchase, it refers to the ratio of the fair value of initial and supplement collateral, less any collateral already released, plus interests and dividends received, divided by the amount payable by the borrower
"CSI 300 Index"	a capitalization-weighted stock market index compiled by the China Securities Index Co., Ltd. to replicate the performance of 300 stocks traded in the Shanghai and Shenzhen stock exchanges
"ETFs"	exchange-traded funds
"FICC"	fixed-income instruments, currencies, and commodities
"FOF"	fund of funds
"H share(s)"	in the context of the capital markets, overseas-listed foreign shares of PRC companies that are traded on the Hong Kong Stock Exchange

"high-net-worth account(s)"	securities brokerage account(s) with a balance of over RMB5.0 million
"IPO"	initial public offering
"IT"	information technology
"M&A"	mergers and acquisitions
"maintenance margin ratio"	for the margin finance and securities lending business, it refers to the ratio of the fair value of the collateral, including cash and securities in the margin accounts of the clients, to the total amount of receivables from the clients, including margin loan balance, market value of securities lent and accrued interest and fees
"margin and securities refinancing"	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. (中國證券金融股份有限公司) and other authorized financial institutions, and lend such funds and securities to their clients
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"NEEQ Co."	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
"Net Capital"	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and risk-adjusted contingent liability plus or minus capital from other adjustments recognized or approved by the CSRC
"operating revenue"	operating revenue of a securities company recognized in accordance with CAS
"ordinary account(s)"	securities brokerage account(s) with a balance lower than RMB500,000
"OTC"	over-the-counter market
"QDII"	Qualified Domestic Institutional Investors (合格境內機構投資者) as approved by the CSRC
"QFII"	Qualified Foreign Institutional Investors (合格境外機構投資者) as approved by the CSRC

"Revenue from Innovative Businesses"	business revenue other than revenue from the traditional brokerage (including revenue from agency trading of securities, trading seat leasing and futures brokerage), revenue from the traditional investment banking (revenue from underwriting and sponsorship), revenue from proprietary trading (gains from proprietary trading), interest income from deposit in financial institutions and interest income from reverse repo agreements with bonds as target of the Company, Shanghai Securities and Guotai Junan Futures
"RQFII"	RMB Qualified Foreign Institutional Investors (人民幣合格境外機構投資者) as approved by the CSRC
"securities repurchase"	a transaction pursuant to the securities repurchase agreement, in which an eligible investor sells its securities to a securities firm and agrees to repurchase such securities at a fixed price on an agreed future date
"securities-backed financing"	stock-pledged financing and securities repurchase
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"SME Board"	the Small and Medium Enterprises Board of the Shenzhen Stock Exchange
"sponsor representative"	a professional representative qualified in China to sponsor and execute the offering and listing of securities pursuant to the Measures for the Administration of the Sponsorship of the Offering and Listing of Securities of the PRC (2009 Revision) (證券發行上市保薦業務管理辦法(2009年修訂))
"SSE 50 ETF option"	an option contract invested in the Shanghai Stock Exchange 50 Index, which is adjusted once every six months, or according to special circumstances
"ST stocks"	shares under special treatment by Shanghai Stock Exchange or Shenzhen Stock Exchange due to abnormal financial conditions and other matters of the issuers

"stock-pledged financing"	a transaction in which eligible borrowers get financing from eligible lenders by pledging the stocks or other securities they hold and agree to pay back the principal and accrued interest and cancel the pledge in the future
"structured notes"	a debt financing instrument issued by PRC securities firms that makes payments of return linked with the underlying assets and the principal when due
"Type-A branches"	branches that are equipped with IT system for on-site trading, which enables them to provide on-site trading services for clients, as defined under the Guidelines for Information Technology of Securities Branches of Securities Companies (證券公司證券營業部信息技術指引)
"Type-B branches"	branches that are not equipped with IT system for on-site trading, but rely upon the information system of the headquarters or other securities branches to provide on-site trading services for clients, as defined under the Guidelines for Information Technology of Securities Branches of Securities Companies (證券公司證券營業部信息技術指引)
"Type-C branches"	branches where on-site trading service is not available, as defined under the Guidelines for Information Technology of Securities Branches of Securities Companies (證券公司證券營業部信息技術指引)
"VaR"	value at risk