



中州证券

Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)

Stock Code: 01375

INTERIM REPORT 2017



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DEFINITIONS

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

The Company, Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
The Group or Group	the Company and its subsidiaries
Board	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	supervisor(s) of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
This report	this interim report
SSE Composite Index	composite stock price index of the SSE
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司)
A shares	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the SSE
H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Hong Kong Stock Exchange
Reporting Period	1 January 2017 to 30 June 2017 (both days inclusive)

End of the Reporting Period	30 June 2017
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan)
State Council	the State Council of the PRC (中華人民共和國國務院)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Ministry of Finance	the Ministry of Finance of the PRC (中華人民共和國財政部)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
Henan Branch of the CSRC	Henan Branch of the China Securities Regulatory Commission (中國證券監督管理委員會河南監管局)
Henan SASAC	State-owned Assets Supervision and Administration Commission of the People's Government of Henan Province (河南省人民政府國有資產監督管理委員會)
Financial Service Office of Henan Province	Financial Service Office of Henan Provincial People's Government
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SSE	the Shanghai Stock Exchange
Shenzhen Stock Exchange	the Shenzhen Stock Exchange
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司)
Bohai Fund	Bohai Industrial Investment Fund (渤海產業投資基金)
Bohai Fund Management	Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司), which holds on behalf of Bohai Industrial Investment Fund (渤海產業投資基金) the equity interest in the Company
Anyang Iron & Steel Group	Anyang Iron & Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司)
Pingmei Shenma Energy	China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬能源化工集團有限責任公司)
Anyang Economic Development	Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司)

DEFINITIONS

Jiangsu SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)
Xuchang Superlift	Xuchang Superlift Energy-saving & Technology Co., Ltd. (許昌施普雷特節能科技有限公司)
Guangzhou Liby Investment	Guangzhou Liby Investment Co., Ltd. (廣州立白投資有限公司)
Shenhua Group	Henan Shenhua Group Co., Ltd. (河南神火集團有限公司)
Henan Jinlong	Henan Jinlong Industrial Co., Ltd. (河南省金龍實業有限公司)
Shandong Huanqiu	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. (山東環球漁具股份有限公司)
Jiaozuo Economic and Technology Development	Jiaozuo Economic and Technology Development Co., Ltd. (焦作市經濟技術開發有限公司)
Jiangsu Huiyo	Jiangsu Huiyou Woollen Sweater Co., Ltd. (江蘇惠友毛衫有限公司)
Freetrade Science & Technology	Zhangjiagang Freetrade Science & Technology Co., Ltd. (張家港保稅科技股份有限公司)
Shenzhen Rising	Shenzhen Rising Investment Development Co., Ltd. (深圳市廣晟投資發展有限公司)
Hebi Construction and Investment	Hebi Construction & Investment Group Co., Ltd. (鶴壁市經濟建設投資集團有限公司)
Xuji Group	Xuji Group Co., Ltd. (許繼集團有限公司)
Henan Securities	Henan Securities Co., Ltd. (河南證券有限責任公司)
Central China Futures	Central China Futures Co., Ltd. (中原期貨股份有限公司)
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司)
China Bond Insurance	China Bond Insurance Co., Ltd. (中債信用增進投資股份有限公司)
ZZKY Venture Capital	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司)
Central China Blue Ocean or CCBO	Central China Blue Ocean Investment Management Company Limited (中州藍海投資管理有限公司)

Central China Micro-lending	Henan Central China Micro-lending Company Limited (河南省中原小額貸款有限公司), formerly known as Central China Flying Internet Financial Services (Shenzhen) Co. Ltd. (中州匯聯互聯網金融服務(深圳)有限公司)
Central China Life Insurance	Central China Life Insurance Co., Ltd. (中原人壽保險股份有限公司) (proposed name)
Henan AMC	Henan Asset Management Company Limited (proposed name)
Central China International	Central China International Financial Holdings Company Limited (中州國際金融控股有限公司)
Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司)
ZYKC Venture Capital	Henan Zhongyuan Kechuang Venture Capital Investment Fund (limited partnership) (河南省中原科創風險投資基金(有限合夥))
Articles of Association	the prevailing valid Articles of Association of the Company
Company Law	the Company Law of the PRC (中華人民共和國公司法)
Securities Law	the Securities Law of the PRC (中華人民共和國證券法)
RMB	the lawful currency of China – Renminbi, with the basic unit of “yuan”
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
A Share Convertible Corporate Bonds	convertible corporate bonds in the total amount of not more than RMB2.7 billion (inclusive) which are convertible into new A Shares, proposed to be issued by the Company in the PRC
Margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Securities repurchase	a transaction in which eligible clients sell underlying securities to the securities firms that manage their securities at an agreed price and agree to repurchase such securities from the securities firms at another agreed price on a future date, and the securities firms will return to the clients relevant yields arising from the underlying securities during the agreed repurchase period according to the agreement signed with the clients

DEFINITIONS

securities-backed lending transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and release the pledge some day in the future
Margin financing	an operating activity in which securities financial companies provide their own or legally raised funds and securities to securities firms to handle margin financing and securities lending. Margin financing includes margin refinancing and securities refinancing
Direct investment	a business in which the subsidiary for direct investment business set up by the securities firm leverages its own professional advantage to search for and find quality investment projects or companies and make equity or debt investment with their own or raised funds so as to obtain income from equity interest or debts
Asset securitization	an act of converting less liquid assets into securities that can be traded freely in the financial market to have them become liquid and a direct way of financing through issuing securities in capital market and monetary market
IPO	initial public offering of shares
New Third Board	abbreviation for “National Equities Exchange and Quotations System” (全國中小企業股份轉讓系統), a national securities trading venue established upon approval by the State Council, subject to operation and management of National Equities Exchange and Quotations Co., Ltd.
connected person	has the same meaning as ascribed to this term under the Listing Rules
IFRS	International Financial Reporting Standards, including standards, revisions and interpretations promulgated by International Accounting Standards Board, and International Accounting Standards and Interpretations promulgated by International Accounting Standards Committee
Independent Third Party	third party independent of the Company and its connected persons
NDRC	National Development and Reform Commission (中華人民共和國發展和改革委員會)
OTC	over-the-counter

COMPANY NAME

Legal Chinese name: 中原证券股份有限公司
(a joint stock company incorporated
on 8 November 2002 in Henan,
the PRC with limited liability and
carrying on business in Hong Kong as “中州证券”)
English name: CENTRAL CHINA SECURITIES CO., LTD.

LEGAL REPRESENTATIVE

Mr. Jian Mingjun

SECRETARY OF THE BOARD

Mr. Xu Haijun

COMPANY SECRETARY

Ms. Kwong Yin Ping Yvonne

AUTHORIZED REPRESENTATIVES

Mr. Jian Mingjun
Ms. Kwong Yin Ping Yvonne

HEADQUARTERS IN THE PRC

Registered address of the Company:
No. 10 Shangwu Waihuan Road, Zhengdong New
District, Zhengzhou, Henan Province, China
Office address of the Company:
No. 10 Shangwu Waihuan Road, Zhengdong New
District, Zhengzhou, Henan Province, China
Website of the Company: www.ccnew.com
E-mail address: investor@ccnew.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

ACCOUNTANTS

PRC: ShineWing Certified Public Accountants (Special
General Partnership)
International: PricewaterhouseCoopers

LEGAL ADVISERS

PRC: Beijing Junzhi Law Firm
Hong Kong: Li & Partners

SHARES OF THE COMPANY

Type of Shares	Place of listing	Stock abbreviation	Stock code
A Shares	SSE	中原证券	601375
H Shares	Hong Kong Stock Exchange	中州证券	01375

SHARE REGISTRAR

A Share Registrar:
China Securities Depository and
Clearing Corporation Limited, Shanghai Branch
H Share Registrar:
Computershare Hong Kong Investor Services Limited

FINANCIAL HIGHLIGHTS

Accounting data and financial indicators set out herein are prepared in accordance with IFRS.

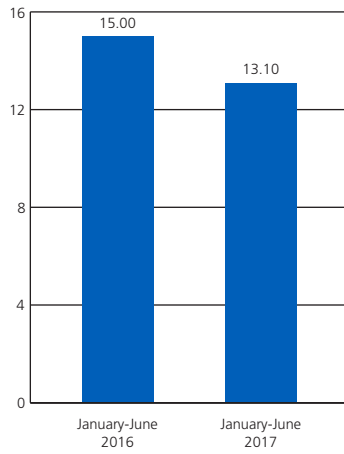
PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	January-June 2017	January-June 2016	Growth of this period from last period
Operating results (RMB'000)			
Total revenue and other income	1,310,274	1,499,774	-12.6%
Profit before income tax	226,445	411,227	-44.9%
Profit for the period attributable to shareholders of the Company	133,374	306,156	-56.4%
Net cash inflow/outflow from operating activities	1,593,761	1,992,089	-20.0%
Earnings per share (RMB/share)			
Basic earnings per share	0.03	0.10	-70.0%
Diluted earnings per share	0.03	0.10	-70.0%
Profitability index			
– Weighted average return on net assets (%)	1.27	3.73	Down by 2.46 percentage points
<hr/>			
Items	30 June 2017	31 December 2016	Growth of the end of this period from the end of last period
Scale merit (RMB'000)			
Total assets	41,321,012	40,384,574	2.3%
Total liabilities	29,915,953	28,837,804	3.7%
Accounts payable to brokerage clients Equity attributable to shareholders of the Company	9,284,559	10,368,090	-10.5%
	10,155,531	10,582,117	-4.0%
Share capital ('000 shares)	3,923,735	3,923,735	–
Net assets per share attributable to shareholders of the Company (RMB/share)			
Gearing ratio ^{note(1)} (%)	64.4	61.5	Up by 2.9 percentage points

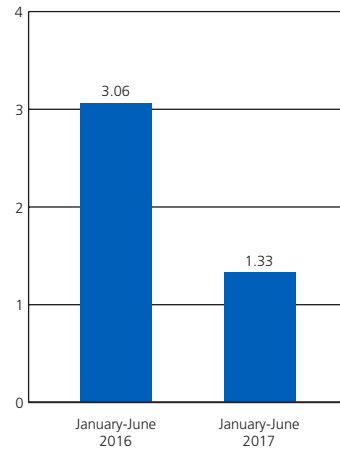
Note:

- Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

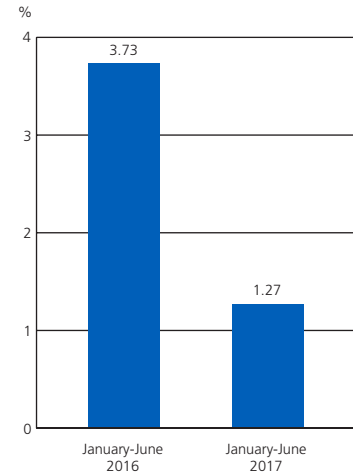
Total revenue and other income (RMB100 million)



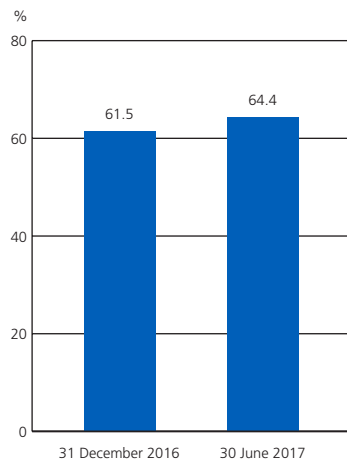
Profit for the period attributable to shareholders of the Company (RMB100 million)



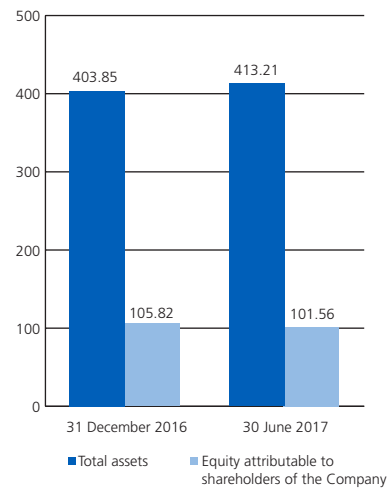
Weighted average return on net assets



Gearing ratio



Scale merit (RMB100 million)



NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

As at 30 June 2017, the net capital of the Company was RMB8,350 million, representing a decrease of RMB1,867 million as compared to the end of 2016. During the Reporting Period, each kind of risk control indicators including net capital of the Company met regulatory requirements.

Unit: RMB'000

Items	30 June 2017	31 December 2016
Net capital	8,350,346	10,217,178
Net assets	10,095,558	10,431,615
Risk coverage ratio (%)	415.93	444.34
Capital leverage ratio (%)	22.10	29.26
Liquidity coverage ratio (%)	532.52	2,053.26
Net stable funding ratio (%)	172.21	158.58
Net capital/net assets (%)	82.71	97.94
Net capital/liabilities (%)	44.03	63.20
Net assets/liabilities (%)	53.24	64.52
Proprietary equity securities and its derivatives/net capital (%)	10.86	22.34
Proprietary non-equity securities and its derivatives/net capital (%)	75.23	55.29

I. PARTICULARS OF THE PRINCIPAL BUSINESSES ENGAGED BY THE COMPANY, OPERATING MODELS AND INDUSTRIAL STATUS DURING THE REPORTING PERIOD

(I) Principal businesses engaged by the Company and operating models during the Reporting Period

The Company is principally engaged in the brokerage business, investment banking business, investment management business, proprietary trading business and overseas business.

The brokerage business of the Company refers to the Company's business of trading of stocks, funds, bonds and futures on behalf of the customers based on their engagement in return for customers' commission. In recent years, the Company proactively grasped opportunities and continued to promote the transformation from provision of channeling services to value-added wealth management services. The Company actively adjusted the structure of its securities brokerage business, accelerated the transformation of its brokerage branches towards becoming an integrated security and finance platform and continued to enhance its comprehensive ability in serving customers.

The investment banking business of the Company mainly includes the shares underwriting and sponsorship business, the bond underwriting business, the financial advisory business, and host brokerage business for the New Third Board. At the beginning of 2017, the Company readjusted and rebuilt the business lines and departments under the investment banking business by newly establishing the capital market headquarters and investment banking comprehensive management department and establishing 11 parallel business departments, thereby forming a 1+N business management model which is favourable for introduction of market-oriented teams and a competition mechanism. By virtue of the advantage of the resource of the Henan Province, the Company has focused on serving the Henan capital market and kept on improving the nationwide business layout in order to create with full strength the "Central China Investment Banking" brand. The Company has worked aggressively in areas such as IPO, refinancing, merger, acquisition and reorganization, New Third Board recommendation business and group underwriting. As at 30 June 2017, the Company had 2 IPO projects under examination and approval. During the first half of the year, the Company completed 1 IPO project application, and 1 refinancing project has been approved by the CSRC, 3 lead underwriting projects of corporate bonds have been approved by the SSE and the Shenzhen Stock Exchange, 1 corporate bonds project has been approved by the NDRC, and 16 companies were listed on the New Third Board. It also provided financial advisory services to a number of enterprises. Meanwhile, the Company actively pushed ahead the development of established projects and extensively built up its project reserves.

The Company's investment management business is mainly comprised of asset management business and private fund management business. The Company fully leveraged its existing resources advantages to diversify the product lines of its asset management business, including asset management products adopting different business models, such as the Yanhuang series, Xinghuo series, Changsheng series, Lianmeng series, Huimin series, Fangzhou series, Panshi series, etc.. The business covers business segments such as equity investment, bond investment, quantitative investment, fixed income investment, financing asset management and others. As at the end of the Reporting Period, the Company has successfully increased the business scale to RMB16.2 billion. For private fund management business, the Company controlled risks strictly, strengthened management and deepened its cooperation with local governments and advanced investment institutions with a view to promoting the establishment of funds, expediting the existing operation of ZYKC Venture Capital and supporting the development of the real economy.

The scope of investment of the proprietary trading business includes publicly offered stocks, bonds, funds, derivatives and other financial products approved by the CSRC. During the development process, the securities proprietary business of the Company has adhered to the principles of value investing and "flexible allocation and stable operation (靈活配置·穩健操作)", resulting in the effective control of investment risks. In the first half of 2017, the proprietary business actively responded to the fluctuations of the stock and bond market and strictly controlled risks. It also actively sought for market opportunities in relation to equity investment with a view to increasing investment income. In respect of bond investment, the Company timely adjusted the scale and structure of investment and adopted measures to response to the extreme volatility in the bond market.

On the basis of the Type 1, Type 4, Type 6 and Type 9 licenses granted by the SFC, as well as the money lender's licence issued by the Court of Hong Kong, the business scope of the Company's overseas business covers comprehensive capital market services, including securities brokerage, margin financing, investment banking, asset management, securities research, stock-secured financing and proprietary investment, etc.. During the first half of 2017, the securities market in Hong Kong maintained sound condition with significant growth of various indexes, transactions became increasingly active, and the number of listing by way of IPO and the amount of fund raised increased. Amid this favourable environment of the capital market, the overseas business of the Company capitalized on various business opportunities to continuously enhance its capital strength by completing the establishment of an independent financing entity and the introduction of strategic investors, and achieved relatively rapid development in various business aspects. Within about two years since its official commencement of operation, it demonstrated the continuous enhancement of its profitability with net profit of the Company's overseas business segment from the first half of the year exceeding the year-round figure of 2016.

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

During the recent years, the Chinese securities industry witnessed significant enhancement and improvement in various aspects, including capital strength, development philosophy, service quality, regulatory level, market competitiveness and others. The securities industry has been playing a more important role in terms of promotion of capital contribution, optimization of asset allocation, provision of services to real economy and investors. The securities industry has also been continuously strengthening its awareness, ability and self-consciousness of serving the country.

As affected by various factors such as the macroeconomic environment, capital flow, adjustment of regulatory policies in the securities industry, the changing investment preference of various market participants around the world and in the PRC, the securities industry has recorded relatively significant cyclical growth with a spiral pattern in general.

Currently, the Company is the only securities company that was registered by legal persons in Henan Province. After over 10 years of development, the Company has developed itself into a comprehensive securities company with distinctive advantages in the region. The Company was classified into Grade "A" under Class "A" in the 2017 classification and evaluation of securities companies by the CSRC. The Company's key financial indicators all ranked above industry medians.

I. DISCUSSION AND ANALYSIS ON OPERATING CONDITIONS

(I) General operating conditions

During the Reporting Period, the Company fully leveraged its advantages of listing in both Hong Kong and the PRC to focus on accelerating its development to comprehensively enhance its various capabilities and continuously promote the implementation of its strategic layout. All these efforts have achieved satisfactory results. However, under the impact of the relatively volatile stock market, bond market, exchange market and commodity market in the PRC, and the inadequate transformation of the Company, the Company's results have recorded a decline since the turn of the year.

Despite the challenging environment, under the strong leadership of the Company's management team and the concerted effort of all core staff, the Company steadily pushed forward the implementation of major works during the first half of the year. The investment in Central China Life Insurance has obtained no objection letter from Henan Branch of the CSRC, the disclosure materials have been disclosed on the website of the Insurance Association of China in advance, and the application for the issuance of A Share Convertible Corporate Bonds has been officially accepted by the CSRC on 14 July 2017 and was progressing well. Meanwhile, the Company insisted on accelerating the transformation towards the modern operation model of "starting from investment, followed by investment banking with businesses such as brokerage as important foundation". It has increased the registered capital of the Central China Blue Ocean, a subsidiary of the Company, from RMB500 million to RMB3,000 million. ZDKY Venture Capital also expedited its transformation towards a private fund management company, while Central China Micro-lending with a registered capital of RMB1 billion and scope of business covering the whole Henan Province also obtained the approval of commencement of operation from the Financial Service Office of Henan Province on 11 July 2017. Together with ZZKY Venture Capital, the new landscape with the investment segment leading the Company's transformation and development has basically been formed.

Under the new operation landscape, in the second half of the year, the Company will continue to focus on "accelerating its development" and strive for obtaining the approval for establishment of Central China Life Insurance and the issuance of A Share Convertible Corporate Bonds as early as possible, and at the same time continue to expedite the transformation towards the model of "starting from investment, followed by investment banking with businesses such as brokerage as important foundation". It will also continue to increase the synergy between various businesses and keep on promoting the establishment of new growth points of profit in Shanghai and Hong Kong with a view to developing its comprehensive wealth management ability, corporate customer services ability, investment management ability and international development ability. Moreover, it will work on the establishment of security for five major aspects, namely mechanism, talent, capital, compliance and risk control, and push forward the work in eight aspects such as establishment of big investment segment, transformation of big brokerage business and others, so that it can turnaround from the adverse condition as soon as possible, at the same time overcoming the challenges laid ahead for its operating results in the second half of the year and successfully completing various established goals and missions.

(II) Analysis of principal operations

1. Brokerage business

During the Reporting Period, the revenue and other income generated from brokerage business amounted to RMB756 million, representing a decrease of 8.5% over the same period last year.

(1) Securities brokerage

In the first half of 2017, the trading volume of shares and funds in Shanghai and Shenzhen stock markets reached RMB56.65 trillion, representing a drop of 18.2% over the same period last year. [Wind Info]

During the Reporting Period, the Company actively seized the opportunities for listing and development with a view to continuously promoting business transformation, vigorously developing corporate brokerage business and gradually adjusting its business structure. At the end of the Reporting Period, the market value of entrusted securities (including the market value of restricted shares) of the Company was RMB169.4 billion; the trading amount of A shares and funds amounted to RMB606.67 billion, with market share of 0.54%; the balance for margin financing and securities lending amounted to RMB5.154 billion; credit transaction volume amounted to RMB45.133 billion; and the number of accumulated credit accounts opened was 41,266, representing an increase of 3.1% as compared to the end of 2016.

During the Reporting Period, by optimizing branch network, the Company ensured the smooth implementation of various bearer services and gradually expanded the covered areas. As at the end of the Reporting Period, the total number of customers of the Company was 1,699,000, representing an increase of 2.8% as compared to the end of 2016.

During the Reporting Period, adhering to the goal of transformation towards wealth management business, the Company focused on the development of its investment advisory business to proactively transform from a traditional channeling services provider to a wealth manager. During the Reporting Period, the Company continuously enriched the content of "Central China Wealth" and its advisory products, as well as the financial product lines such as cash management, fixed income, equity investment and other products. Through investment advisory competitions and online and offline trainings, the Company has strengthened the professional training for its investment advisors and enhanced their comprehensive capabilities, optimized the requirements and procedures for standardized services of investment advisors and enhanced the service experience of customers.

As at the end of the Reporting Period, the Company cumulatively had 255,129 signed customers of the “Central China Bible” and “Central China Housekeeper” investment advisory services. During the Reporting Period, the Company realised commission and fee income of RMB40 million from investment advisory, representing a decrease of 37.7% as compared to the same period last year. This was mainly attributable to the decrease in asset scale of customers and significant decrease of commission rate of signed customers due to the fluctuations in the A shares market during the Reporting Period.

Items	January-June 2017 30 June 2017	January-June 2016 30 June 2016
A Share fund transaction volume (in RMB100 million)	6,066.7	7,742.04
Number of securities brokerage clients ('0,000)	169.9	163.3
Balance for margin financing and securities lending (in RMB100 million)	51.57	56.6
Credit transaction volume (in RMB100 million)	451.33	653.16
Credit account	41,266	39,174

(2) Futures brokerage

During the Reporting Period, the accumulated trading volume in the national futures market was 1.478 billion board lots with an aggregate transaction amount of RMB85.91 trillion, representing a period-on-period decrease of 35.48% and 13.52% respectively, which showed shrinkage in trading activities.

Central China Futures tackled challenges actively and grasped the opportunities to continuously promote the transformation of traditional brokerage business and the development of innovative business. As a result, significant growth was recorded in operation results as compared to same period last year. The risk management business of Yuxin Investment Management (Shanghai) Co.,Ltd. recorded substantial growth in scale. During the Reporting Period, the Company realised profit before income tax of RMB19 million, representing an increase of 58.0% as compared to the same period last year. The average daily client margin deposit of the Company amounted to RMB870 million, representing a period-on-period increase of 10%.

(3) Distribution of financial products

The Company continued to improve its product lines of “Cash Management, Fixed Income, Equity Investment, Alternative Investment” through its business of agency sale of financial products with a view to establishing a one-stop integrated financial service platform. It has also promoted its wealth management services plans with a focus on financial product allocation, enhanced its professional services capabilities, promoted the transformation of its branches towards wealth management business and increased customer viscosity.

During the Reporting Period, the agency sale of bank wealth management product of the Company amounted to RMB594 million, representing an increase of 31.13% as compared to the same period of 2016. The agency sale of public funds products amounted to RMB232 million, representing a decrease of 28.61% as compared to the same period of 2016.

2. Investment banking business

During the Reporting Period, the revenue and other income generated from investment banking business amounted to RMB24 million, representing a decrease of 75.6% over the same period last year.

The investment banking business of the Company mainly includes equity financing, debt financing, investment advisory and others businesses. For IPO business, the Company completed the application for the initial public offering of shares of Zhengzhou Kaixue Cold Chain Co., Ltd.. For refinancing business, the non-public issuance of Puyang Huicheng has been approved by the CSRC. 3 lead underwriting projects of corporate bonds have been approved by the SSE and the Shenzhen Stock Exchange and 1 corporate bond project has been approved by the NDRC. The Company has also completed several issuance projects, such as the special bonds of integrated corridors and car parks of Change Jincai Public Assets Management Co., Ltd. 2017 (2017年長葛市金財公有資產經營有限公司綜合管廊和停車場專項債券), which raised funds of RMB1,330 million and recorded underwriting income of RMB3.724 million; 1 lead underwriting project for special bonds of car park has obtained the approval from the NDRC; 16 companies have obtained listing approval notice from the New Third Board; and there were 12 new companies in respect of underwriting for offering on the New Third Board.

3. Investment management business

During the Reporting Period, the revenue and other income generated from investment management business amounted to RMB65 million, representing a decrease of 27.7% over the same period last year.

(1) Asset Management

As at 30 June 2017, the statistics from the Asset Management Association of China showed that asset under management business of securities firms amounted to RMB18.1 trillion, representing an increase of 2.96% period-on-period.

As at the end of the Reporting Period, 43 asset products in the total amount of RMB16.2 billion were managed by the Company. Of which, 17 asset products in the amount of RMB4,659 million were under collective asset management scheme, representing a period-on-period increase of 0.6%, 24 asset products in the amount of RMB10.596 billion were under targeted asset management scheme, representing a period-on-period increase of 68%, and 2 asset products in the amount of RMB970 million were under specific asset management scheme.

(2) Private fund management

Since the issuance of the “Management Rules for Private Investment Funds Subsidiaries under Securities Companies (《證券公司私募投資基金子公司管理規範》)” by the Securities Association of China, ZDKY Venture Capital has transformed from a direct investment subsidiary into a private subsidiary. ZDKY Venture Capital promoted the adjustment of its shareholding structure and properly carried out the existing debt investment projects pursuant to regulatory requirements. It also controlled risks strictly, strengthened management and deepened its cooperation with local governments and advanced investment institutions with a view to promoting the establishment of funds, expediting the existing operation of ZYKC Venture Capital and supporting the development of the real economy. During the Reporting Period, the Company completed 2 external partnership projects of investment in industry funds with a total investment of RMB22.29 million. The Company partially exited 1 equity investment project and recovered capital of RMB127 million; exited 9 debt investment projects with a total amount of RMB71.33 million; and partially exited 3 debt investment projects with a total amount of RMB15.1395 million. ZYKC Venture Capital completed 2 investment projects with a total contracted amount of RMB28 million. As at the end of the Reporting Period, the completed investment amounted to RMB14 million.

(3) Alternative investment

During the Reporting Period, Central China Blue Ocean promoted the implementation of the “Investment + Investment Banking (投資+投行)” strategy. With a focus on both revenue in the current period and revenue in mid-to-long term, the Company pushed ahead with both equity investment and financial assets investment by completing 4 equity investment projects and 1 financial products investment project in total.

4. Proprietary trading

During the Reporting Period, the revenue and other income generated from proprietary trading business amounted to RMB170 million, representing a decrease of 10.5% over the same period last year.

During the Reporting Period, the A share market showed further diversified structure amid market fluctuations. As at the end of the Reporting Period, SSE Composite Index, Shenzhen Stock Exchange Component Index, Shenzhen Stock Exchange Growth Enterprise Index and Shenzhen Stock Exchange Small and Medium Enterprise Index closed at 3,192.43, 10,529.61, 1,818.07 and 6,946.43, representing increase of 2.86%, increase of 3.46%, decrease of 7.43% and increase of 7.33%, respectively. [Wind Info]

In response to the market changes, equity investment continued to place the utmost priority on stringent risk control and actively captured structural opportunities in the market with a view to proactively realizing absolute return during prolonged market volatility.

As for bond investment, against the market environment with extremely volatile bond market and significant drop of valuation in the first half of the year, the Company adhered to its principle of stable operation as always and placed risk aversion as its top priority. The Company also actively adjusted the scale, duration and structure of the investment in order to lower capital cost, cut expenses and improve efficiency.

5. Overseas business

During the Reporting Period, the revenue and other income generated from overseas business amounted to RMB86 million, representing an increase of 300.3% over the same period last year.

During the first half of 2017, the average daily trading amount and the total amount of funds raised in the Hong Kong securities market increased by 13% and 23% respectively as compared to the same period of 2016, while the number of newly listed companies increased by 80% period-on-period [Hong Kong Stock Exchange]. Against such backdrop, Central China International seized the opportunities for business development to step up its effort in building a business marketing system and actively explore business models and profit models that suit its own development characteristics by leveraging the Company's wide customer base and other advantages. During the Reporting Period, Central China International adhered to its three major goals of "Year for Platform Optimization, Year for Business Enhancement, Year for Profit Multiplier (平台完善年、業務提升年、利潤倍增年)" and maintained rapid growth for various businesses. As at the end of the Reporting Period, the number of brokerage business accounts reached 4,763, representing an increase of 12.28% as compared to the end of last year. The market value of client positions amounted to HK\$3.941 billion, and the accumulated share transaction volume amounted to HK\$4.971 billion, which is 5.75 times of that in the whole year of 2016. On the basis that all risks are under control and predictable, Central China International actively satisfied its customers' demand for investment and financing by leveraging the growth of accounts of the brokerage business. As at the end of the Reporting Period, the balance of margin financing amounted to HK\$495 million, representing an increase of 73.68% as compared to the end of last year. Central China International completed the establishment of three asset management products with assets under management amounted to HK\$755 million, which is 6.24 times of that as at the end of 2016. For investment banking business, the Company has contracted and reserved a number of projects. For instance, the Company acted as the sole sponsor, joint bookrunner and joint lead manager for the IPO project in respect of the listing on GEM board of XiangXing International Holding Limited (象興國際控股有限公司) (stock code: 8157), and participated in the IPO project in respect of the listing on the Main Board of Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司) (stock code: 1216) as the compliance advisor, joint bookrunner and joint lead manager.

6. Headquarters and others

(1) Securities-backed lending and securities repurchase

During the Reporting Period, the securities-backed lending business recorded substantial growth in size. The average daily scale of securities-backed lending business made with its own funds logged RMB2,426 million, up by 11.39% as compared with the average daily scale of 2016, and interest income came to RMB67 million, down by 21.4% as compared to the same period last year. As at the end of the Reporting Period, the balance to-be-repurchased of the Company's securities-backed lending made with its own funds amounted to RMB2,548 million, representing an increase of 7.4% as compared to the end of last year, with an average performance guarantee percentage of to-be-completed transactions of 218.11%. As at the end of the Reporting Period, 823 new accounts were opened for securities repurchase business transaction, down by 0.24% as compared to the end of last year, with the balance of securities to-be-repurchased amounted to RMB27 million, representing a decrease of 21.3% as compared to the end of last year.

During the Reporting Period, the Company launched flexible financing product for internet users and micro-securities-backed lending business achieved growth amidst adversity. Interest income amounted to RMB4.6148 million, representing a period-on-period increase of 404.1%. As at the end of the Reporting Period, the business size reached RMB85 million, representing an increase of 10.8% as compared to the end of last year, with 43,435 accounts opened for service and an average performance guarantee percentage of to-be-completed transactions of 241.62%.

(2) Market-making business on New Third Board

During the Reporting Period, the market-making business on New Third Board faced systematic risks of index fall and sluggish trading market. Against such backdrop, the Company actively adjusted its business strategy, strengthened team building works, raised standards for project selection and strictly controlled trading risks. Through these measures, the number of market-making entities got a steady growth and the business was in steady and orderly progress.

As at the end of the Reporting Period, the Company had 126 market-making stocks on the New Third Board, ranking 26th in the industry in terms of number of market-making entities with an investment amount of RMB482 million in the market-making business.

(3) Innovative business

Internet finance:

During the Reporting Period, the Company has had 34,117 securities accounts newly opened through internet, which accounted for 94.33% of the total accounts of the Company, and its trade volume with new clients reached RMB23.15 billion. The sale of wealth management product on the internet platform during the first half of the year amounted to RMB1.033 billion, representing a period-on-period increase of 43.67%.

OTC market:

During the Reporting Period, the Company continued to optimize the development of online business in the OTC market and actively promoted the product diversification of the OTC market. Based on the Company's demand for capital and business needs, the Company has issued beneficiary certificates products under the Xinyi series, Jinyi series and Rongyi series and raised total fund of RMB388 million. In particular, the Company issued 12 batches of beneficiary certificates under Xinyi series and raised fund of RMB127 million; issued 4 batches of beneficiary certificates under Jinyi series and raised fund of RMB10.97 million; issued 1 batch of beneficiary certificates under Rongyi series and raised fund of RMB250 million.

(4) Equity Exchange Co.

During the Reporting Period, Equity Exchange Co. facilitated new financing of RMB285 million for various enterprises. As at the end of the Reporting Period, Equity Exchange Co. has set up "One Market Two Boards". The enterprises on demonstration board and bulletin board reached 1,291 and 61, respectively, and the total number of listed enterprises increased by 220% period-on-period. There were 463 member units of various kinds, which was composed of 67 custodian enterprises with 1,991 million entrusted shares.

Equity Exchange Co. actively promoted over 10 local governments, including Puyang city and Kaifeng city, to introduce subsidies and compensation policies. As at the end of the Reporting Period, most of the local governments in Henan Province have introduced financial subsidies and compensation policies to encourage local enterprises to get listed through Equity Exchange Co., which has given strong motivation for enterprises to get listed.

(5) Research business

During the Reporting Period, the Company released 218 research reports, organized 109 morning meetings and issued morning meeting products, and provided approximately 151 service items to actively support the development of the Company's major businesses, which provided important research support for the Company's decision-making.

During the Reporting Period, the Company's research institutes completed a number of customized research tasks formulated by the management of the Company, including the construction of capital market in Henan Province, the development trend of local financial and securities business and competitive analysis on companies, etc., which has provided important basic research support for the Company's decision-making. During the Reporting Period, the Company's research institutes also completed various customized research tasks entrusted by Zhengzhou Central Sub-branch of The People's Bank of China, the Financial Service Office of Henan Province, Henan SASAC, the Development Research Center of the People's Government of Henan Province and other entities, which has significantly enhanced the awareness of our research brand in the industry.

II. PROSPECTS AND FUTURE PLANS

(I) Plans for future investment or capital asset purchase

Central China Blue Ocean:

On 17 April 2017, the 33rd meeting of the fifth session of the Board of the Company considered and approved the Resolution on Capital Increase into Central China Blue Ocean Investment Management Company Limited (《關於對中州藍海投資管理有限公司實施增資的議案》), which agreed to increase the registered capital of Central China Blue Ocean from RMB500 million to RMB3,000 million. The capital increase will be conducted progressively based on the needs for the investment business development of Central China Blue Ocean. Central China Blue Ocean was also authorized to conduct the relevant business within its scope of operation. For details of the aforesaid matter, please refer to the overseas regulatory announcement of the Company dated 18 April 2017. As at the end of the Reporting Period, the Company made actual allocation of RMB1,363 million to the registered capital of Central China Blue Ocean. As at the date of this report, the Company made actual allocation of RMB1.818 billion to the registered capital of Central China Blue Ocean.

ZDKY Venture Capital:

On 17 April 2017, the 33rd meeting of the fifth session of the Board of the Company considered and approved the Resolution on Adjustment of Shareholding Structure and Capital Increase into Zhongding Kaiyuan Venture Capital Management Co., Ltd. (《關於中鼎開源創業投資管理有限公司股權結構調整及增資的議案》), which agreed to increase the registered capital of ZDKY Venture Capital from RMB895 million to RMB2,000 million upon completion of the capital reduction of ZDKY Venture Capital. ZDKY Venture Capital was also authorized to conduct the relevant business within its scope of operation. The specific amount of capital contribution will be determined according to the results of audit or asset evaluation. As at the date of this report, the Company has not implemented the capital increase.

Central China International:

On 11 May 2017, the 35th meeting of the fifth session of the Board of the Company considered and approved the Resolution of Central China Securities Co., Ltd. on Capital Increase into Central China International Financial Holdings Company Limited (《中原证券股份有限公司關於對中州國際金融控股有限公司實施增資的議案》), which agreed to increase capital contribution in the amount of HK\$500 million (equivalent to approximately RMB442.71 million) in cash, bringing registered capital of Central China International to HK\$1 billion. For details of the aforesaid matter, please refer to the overseas regulatory announcement of the Company dated 11 May 2017. As at the date of this report, the Company has not implemented the capital increase.

The Company will make capital injection in due course according to the above Board resolutions and based on the business development and capital need of subsidiaries. Such capital injection will be financed by the Company under the relevant requirement. The Company will also make disclosure of the above future investment plans in due course according to the requirement of the Listing Rules.

(II) Outlook

The outlook of the Company towards the general operating conditions and the main business development of the Group in 2017 had no significant change after the release of the 2016 annual report.

III. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on the profitability of the Company during the Reporting Period

Under the impact of the volatile stock market, bond market, exchange market and commodity market in the PRC as well as the inadequate transformation of the Company, the Company experienced relatively significant decline in its results since the turn of the year. The Group realized total revenue and other income of RMB1,310 million, representing a decrease of 12.6% as compared to the same period of 2016, of which securities brokerage business accounting for RMB340 million, decreased by 32.4% as compared to the same period of 2016; futures brokerage business accounting for RMB171 million, increased by 450.3% as compared to the same period of 2016; margin financing and securities lending businesses accounting for RMB246 million, decreased by 16.1% as compared to the same period of 2016; investment banking business accounting for RMB24 million, decreased by 75.6% as compared to the same period of 2016; proprietary trading business accounting for RMB170 million, decreased by 10.5% as compared to the same period of 2016; investment and asset management business accounting for RMB65 million, decreased by 27.7% as compared to the same period of 2016; overseas business accounting for RMB86 million, increased by 300.3% as compared to the same period of 2016; headquarters and others accounting for RMB274 million, decreased by 10.6% as compared to the same period of 2016.

During the Reporting Period, the Group's total expenses were RMB1,084 million, representing an increase of 1.0% as compared to the same period of 2016.

During the Reporting Period, the Group realized net profit attributable to shareholders of the Company of RMB133 million, representing a decrease of 56.4% as compared to the same period of 2016, mainly attributable to period-on-period declines in net profits of securities brokerage business, investment banking business and proprietary trading business; basic/diluted earnings per share of RMB0.03, representing a decrease of 70.0% as compared to the same period of 2016; weighted average return on net assets of 1.27%, representing a decrease of 2.46 percentage points as compared to the same period of 2016.

(II) Asset structure and asset quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB41,321 million, representing an increase of 2.3% as compared to RMB40,385 million as at the end of 2016. Total liabilities amounted to RMB29,916 million, representing an increase of 3.7% as compared to RMB28,838 million as at the end of 2016. Equity attributable to shareholders of the Company amounted to RMB10,156 million, representing a decrease of 4.0% as compared to RMB10,582 million as at the end of 2016.

Our asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of the following: cash assets, which primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB11,475 million, representing 27.8% of our total assets. Financing assets, which primarily included margin accounts receivables and financial assets held under resale agreements, amounted to RMB17,168 million, representing 41.5% of our total assets. Financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB11,447 million, representing 27.7% of our total assets. Other operating assets, which primarily included property and equipment, investment properties and intangible assets, amounted to RMB1,231 million, representing 3.0% of our total assets. As at the end of the Reporting Period, the Group has mainly made corresponding impairment provision for available-for-sale financial assets, entrusted loans and margin accounts receivable.

Our gearing ratio remained stable. As at the end of the Reporting Period, the total self-owned liabilities of the Group after deducting accounts payable to brokerage clients from total liabilities amounted to RMB20,631 million, representing an increase of RMB2,162 million or 11.7% as compared to the total self-owned liabilities of RMB18,470 million as at the end of 2016, mainly attributable to the increase in the Company's financial assets sold under repurchase agreements. Calculated by assets and liabilities after deducting accounts payable to brokerage clients, the gearing ratio as at the end of the Reporting Period was 64.4%, up by 2.9 percentage points from the gearing ratio of 61.5% as at the end of 2016.

(III) Cash flow

Excluding the effect of changes in client margin deposit, the net increase in cash and cash equivalents amounted to RMB2,833 million, which was attributable to the fact that cash inflows generated from operating activities were lower than the cash outflows arising from investment activities and financing activities of the Group during the Reporting Period.

Net cash flow arising from operating activities during the Reporting Period amounted to RMB1,594 million, representing a period-on-period decrease of RMB398 million from RMB1,992 million in the corresponding period in 2016, mainly because of the decrease in net profit for the current period. Net cash flow arising from investment activities during the Reporting Period amounted to RMB-590 million, representing a period-on-period decrease of RMB220 million from RMB-370 million in the corresponding period in 2016, mainly because cash outflow from the disposal or purchase of available-for-sale financial assets was higher than those of the corresponding period in 2016. Net cash flow arising from financing activities during the Reporting Period amounted to RMB-3,837 million, down by RMB2,878 million period-on-period from RMB-959 million in the corresponding period in 2016, mainly because the cash paid for the redemption of corporate bonds was higher than that of the corresponding period in 2016.

(IV) Changes in significant accounting policies and estimates

During the Reporting Period, the Company did not make any change in significant accounting policies and estimates; nor did the Company make any correction of material accounting errors.

IV. NEW ESTABLISHMENT AND DISPOSAL OF SUBSIDIARIES

(I) New establishment and disposal of subsidiaries

In order to accelerate the development of Central China Blue Ocean and to improve its profitability, pursuant to the relevant regulatory requirements, Central China Blue Ocean will relocate its subsidiary Central China Flying Information Technology Services (Shenzhen) Co. Ltd. to Henan Province, restructure its business and change its name to Central China Micro-lending. On 28 April 2017, Central China Blue Ocean, Luohe City Construction Investment Co., Ltd., Henan Dayu Capital Holdings Co., Ltd., Shenzhen Flying Internet Financial Services Limited and Henan Overseas Chinese Industrial Co., Ltd. signed a capital increase agreement to increase the capital and share of Central China Micro-lending, under which the Group has further injected RMB0.63 billion. On 17 May 2017, Central China Micro-lending received registered capital of RMB1 billion and the shareholding proportion of the Group in Central China Micro-lending increased from 60% to 65%. On 27 June 2017, the Financial Service Office of Henan Province approved the establishment of Central China Micro-lending. On 28 June 2017, Central China Micro-lending obtained a business license and its business scope includes: micro-lending within the administrative area of Henan Province; consulting business for the development, management and finance for small and medium enterprises; eligible investments with its own capital funds.

V. MATERIAL FINANCING OF THE COMPANY

(I) Equity financing

On 3 January 2017, 700 million of A shares under the initial public offering of the Company were listed on the Shanghai Stock Exchange. On 16 February 2017, the registered capital of the Company changed to RMB3,923,734,700. For details of the aforesaid matter, please refer to the announcement of the Company dated 30 December 2016.

As at the end of the Reporting Period, the situation of the use of proceeds of the A Share issuance is as follows:

Proceeds from the issuance (approximate)	Intended use of net proceeds	Actual use of net proceeds
RMB2.8 billion	<p>After deducting the expenses incurred for the A Share issuance, the net proceeds will be fully used to replenish the working capital of the Company to support future business developments of the Company and facilitate achievement of strategic growth objectives of the Company. Specific purposes and arrangements of the proceeds raised include:</p> <ol style="list-style-type: none"> 1) To increase the scale of fund allocation for capital-based intermediary business; 2) To actively expand the offshore business; 3) To increase and optimise network layout and construction of off-site service platform to enhance the overall strength of brokerage business; 4) To expand the scale of our proprietary trading business moderately according to market conditions; 	<p>The net proceeds after deducting the issuance expenses are RMB2,669,811,742.42. As at the end of the Reporting Period, the net proceeds of RMB2,416,193,514.48 used by the Company in aggregate have been applied to the following purposes:</p> <ol style="list-style-type: none"> 1) To increase the scale of fund allocation for capital-based intermediary business; 2) To expand the scale of our proprietary trading business moderately according to market conditions; 3) To increase financial support for innovative business; and 4) To strengthen the building of information system and other projects.

Proceeds from the issuance (approximate)	Intended use of net proceeds	Actual use of net proceeds
	5) To improve the underwriting capabilities and staff capabilities for business of investment banking;	
	6) To steadily strengthen the asset management business and improve investment research and integrated marketing capabilities;	
	7) To conduct capital increase to Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司);	
	8) To conduct capital increase to Central China Futures Co., Ltd. (中原期貨股份有限公司);	
	9) To increase financial support for innovative business;	
	10) To accelerate the construction of internet finance; and	
	11) To strengthen the building of information system and other projects.	

(II) Bond financing

As at the end of the Reporting Period, one tranche of corporate bonds issued by the Company was still outstanding, with a balance amounting to RMB1.5 billion. Particulars of which are as follows:

Unit: RMB100 million

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay	Venue of trading
							principal and pay interest	
2013 Corporate Bonds of Central China Securities Co., Ltd.	13 Central China Bond	122299	2014/4/23	2019/4/23	15.00	6.2%	Simple annualised interest rate	Shanghai Stock Exchange

This tranche applies the simple annualised interest rate without any compound interest, with interest payable annually in arrears, and principal to be repaid upon maturity in one lump sum. Interest payable for the last period shall be paid upon repayment of principal.

During the Reporting Period, the Company paid the interests of "13 Central China Bond" for the period from 23 April 2016 to 22 April 2017 on 24 April 2017 according to the repayment plan agreed in the prospectus.

As at the end of the Reporting period, two tranches of subordinated bonds issued by the Company were still outstanding, with a balance amounting to RMB4 billion. Particulars of which are as follows:

Unit: RMB100 million

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Venue of trading
2016 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	16 Central China 01	135418	2016/4/21	2019/4/22	25.00	4.20%	Shanghai Stock Exchange
2016 Subordinated Bonds (Tranche 2) of Central China Securities Co., Ltd.	16 Central China 02	145085	2016/10/25	2018/10/26	15.00	3.30%	Shanghai Stock Exchange

During the Reporting period, the Company paid the interests of "16 Central China 01" for the period from 22 April 2016 to 21 April 2017 as scheduled on 24 April 2017 according to the repayment plan agreed in the prospectus. "16 Central China 02" has not reached the maturity date and interest payment date and there are no due repayment and interest payment.

Furthermore, the proposal in respect of the public issue of the A Share Convertible Corporate Bonds and the relevant authorization and resolution was considered and passed by shareholders, H shareholders and A shareholders, respectively, at the AGM, the H Share Class Meeting and the A Share Class Meeting held on 22 May 2017 by the Company. The details of which are set out in the announcement dated 7 April 2017 and the circular dated 5 May 2017 of the Company. As of the date of this report, the Company has not issued the A Share Convertible Corporate Bonds.

VI. SIGNIFICANT INVESTMENTS OF THE COMPANY

Please refer to Section II (I) of this chapter Plans for future investment or capital asset purchase.

VII. ACQUISITION OR DISPOSAL OF MATERIAL ASSETS, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES OF THE COMPANY

During the Reporting Period, there was no acquisition, disposal or replacement of the Company's material assets or business merger.

During the Reporting Period, the Company did not record any off-balance sheet issues that may affect its financial position and operating results, such as major external guarantee, mortgage, pledge and material contingent liabilities.

On 12 July 2017, the Proposal of Central China Securities Co., Ltd. on Providing Guarantee for Yuxin Investment Management (Shanghai) Co., Ltd. (《中原证券股份有限公司關於為豫新投資管理(上海)有限公司提供擔保的議案》) was considered and approved by the 37th meeting of the fifth session of the Board of the Company. It was agreed that the Company would provide guarantee for Yuxin Investment Management (Shanghai) Co., Ltd. of an amount not more than RMB100 million (inclusive). As of the date of this report, the guarantee has not yet been made.

VIII. EMPLOYEES, REMUNERATION POLICIES AND TRAINING

As at the end of the Reporting Period, the Group has a total of 2,701 employees, including 2,402 from the Company and 299 from its subsidiaries.

By signing letter of responsibilities on annual operation objectives, the Company revised and optimized annual incentive and restriction mechanism for all business lines and linked incentives directly to business performances. Under a strict performance assessment mechanism, it also increased incentives for special contributors and inspired the staff. Through remuneration research, the Company made corresponding remuneration policies according to the characteristics and market value of different talent on the condition of ensuring a competitive remuneration. The Company's remuneration consists of base wage, floating wage, performance bonus and welfare. The welfare provided to employees includes basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing provident fund, etc. In addition, the Company also formulated the enterprise annuity program, to further enhance its ability in providing enterprise welfare and protection.

The Company made specific training programs to provide regular, continual training for its staff. The Company has prepared the annual training program, and in the first half of the year, the Company organized a number of business trainings.

IX. RISK MANAGEMENT

Major risks encountered by the Company include credit risk, market risk, liquidity risk, operational risk, compliance risk, etc. To fully uncover its operational risks and control them within a reasonable range, the Company measured risks by such means as duration analysis, sensitivity analysis and scenario analysis and differentiated, prevented and managed various risks by screening, classification, analysis, etc. in order to achieve the Company's strategic development goals and maximize the interests of the Company and its shareholders. Specific details are set out as follows:

(I) Credit risk and polices

Credit risks refer to risks of losses arising from a borrower or counterparty's failure to perform an agreement as agreed. Since full margin settlement for brokerage can practically avoid relevant credit risks, the Company's current credit risk mainly comes from bond investment, margin financing and securities lending, securities-backed lending and securities repurchases, specifically in the following aspects: (1) default or ratings downgrade of investment targets; (2) a counterparty's default; (3) margin financing and securities lending customers' failure to duly repay loans or securities; and (4) receivables' becoming bad debts.

With regard to credit risk management in bond investment, the Company, via credit rating, assessed the credit risks of investment products of different credit ratings in terms of investment product, issuer and counterparty; risk supervision and control include classification management of various investment products and counterparties as well as daily monitoring on credit of position investment products. As stipulated by the Company, all transactions beyond the authorized trading volume shall be reported to the Risk Management Headquarters as well as the upper authority for examination and approval. The Risk Management Headquarters would then examine the transaction and settlement methods, credit rating of the counterparty and other aspects concerning the investment product and point out any transaction risk. As for the credit risk of receivables, the Company has fully made provision for bad debts according to the debtor's business operation, cash flow and bad debt provision policies.

With regard to credit risk management of margin financing and securities lending and securities repurchases, the Company, by formulating various strict regulations and measures, controlled credit risk in these businesses in such steps as credit investigation, credit granting, marking to market and closed position, including strict customer entry barrier, credit investigation and credit standards and credit granting by the headquarters only, strict requirements on collateral, discount rate, deposit ratio and collateral ratio, daily marking for margin financing and securities lending, mandatory closing position when agreed level has been met, and subsequent asset claims against customers in case the capital or securities from the mandatory closing of the securities companies was not adequate to settle the Company's debts arising from margin financing and securities lending provided to the customers. The Company also implemented customer credit rating through a special rating template and reviews on the results and the template.

With regard to credit risk management of securities-backed lending, the Company has established a stringent client selection and account risk assessment system. Branches are responsible for the preliminary review of account information provided by clients in order to understand clients' identities, income, and investment experience and risk appetite. The business departments of the headquarters will then compile a due diligence report on a "case-by-case" basis and submit to the relevant decision committee for risk assessment, in addition to daily marking and dynamic monitoring of the ratio of performance to collateral. The Risk Management Headquarters of the Company is responsible for risk monitoring after the account has been approved, which mainly includes such risk control indicators as account size, concentration per client, concentration per stock, ratio of closing performance to collateral, to ensure effective prevention against credit risk.

As for margin financing and securities lending, securities-backed lending and securities repurchases, the Company has made provision for bad debts as at the end of the period.

(II) Market risk and policies

Market risk mainly refers to the possibility of losses or reduced income due to general or local changes in the market. It consists of risk of price fluctuations of equity assets, interest rate risk, exchange rate risk, etc. Price risk mainly refers to the risk of losses in the company's on-and-off balance sheet business due to unfavorable changes in the price of securities like stocks brought by fluctuations in the securities market. Quantitatively, market price fluctuations of financial instruments held for trading will impact the Group's profit in the same proportion; and the market price fluctuations of available-for-sale financial instruments will impact shareholders' equity of the Company in the same proportion. Interest rate risk refers to the risk of fluctuations in the Company's financial position and cash flow due to interest rate changes in the market. In particular, the interest-bearing assets susceptible to market interest rate changes are mainly bank deposits, settlement reserves, guarantee deposits paid, and bond investments. Exchange rate risk refers to the possibilities that the Company may suffer losses from operating activities which involve holding or using foreign exchange due to change in exchange rate. Though fluctuations in exchange rate do bring certain risks to the Company, the Company has relatively few foreign currency assets susceptible to such fluctuations.

To prevent market risks, the Company took the following measures: (1) followed a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for stock proprietary trading and bond proprietary trading during the year within the authorization granted by the Board, while the Risk Management Headquarters are responsible for monitoring relevant indicators and warning of risks; (2) established a multi-indicator risk monitoring and evaluation system. A quantitative indicator system was established to measure and evaluate risks in proprietary businesses by such means or tools as restriction on concentrated investment, scenario analysis, stress test, sensitivity analysis, etc.; (3) controlled trading procedures in an all-round way. The Company monitored various indicators via the investment management system, controlled the volume authorized, bond rating and concentration ratio of proprietary bond trading in advance and responsively evaluated and reported business risks brought by market changes.

(III) Liquidity risk and policies

Liquidity risk refers to the risk which the Company is unable to obtain sufficient funds in time and at reasonable costs in order to repay maturing debts, comply with other payment obligations and satisfy the funding needs for carrying on normal business.

In view of the liquidity risk, the Company controls investment size of its proprietary business in a rational manner by diversifying share investments, paying attention to liquidity risk management and setting small quotas against all marketable securities within the same type of investments. In view of the business development, financing ability, supervisory indicators of liquidity risk, etc., the Company determines the size and term of debt financing in a rational manner and strengthens its real time monitoring and management of significant amount of fund, with a view to achieving centralised allocation and coordination of fund and avoiding liquidity risks arising from concentrated mature debts. The Company makes use of various financing methods and channels in order to timely satisfy the Company's liquidity needs. It uses net capital and liquidity-based monitoring system for monitoring of risk control indicators, and uses stress tests to assess the impact of business activities on net capital and liquidity.

(IV) Operational risk and policies

Operational risk refers to risk of financial loss resulting from improper operation of transaction process or management system.

In view of operational risk management, the Company's employees in various business risk control posts control and report the frontline risks involved in the businesses in their charge and ensure the respective independence of both functional departments and frontline business departments. The Risk Management Headquarters of the Company join hands with relevant departments to monitor the operational risk profile of brokerage business, proprietary business, fixed income business and others if and when appropriate, and has formulated a brokerage risk management manual and other business risk control system. In view of adopting quantitative management, the Company has decreased the technological and artificial risks and improved the risk management efficiency through stringent operational control procedure for risks not quantifiable.

(V) Compliance risk and polices

Compliance risk refers to the risk of legal sanction, being subjected to supervisory measure, self-discipline penalty, loss of property or reputation on companies arising from violation of laws, regulations or rules in the operation and management or practices of the Company or its personnel.

Compliance risks of the Company include the risk of operational non-compliance of brokerage business, such as acceptance of discretionary entrustment of client, engagement of personnel without qualification for dealing with securities in marketing activities, the shareholding in a single stock in proprietary business and asset management business exceeding the specified proportion under regulatory requirements, failure to meet due diligence obligations of sponsors for investment banking business, failure to complete filing procedures for consultation on foreign investment in investment advisory business, etc.

The Company conducted effective management and control on the legal compliance risk through legal compliance review, legal compliance monitoring, legal compliance examination, legal compliance supervision and legal compliance training.

I. PAYMENT OF FINAL DIVIDENDS FOR 2016, DISTRIBUTION PLAN OF INTERIM PROFITS FOR 2017 AND INTERIM DIVIDENDS FOR 2017

(I) Payment of final dividends for 2016

The Distribution Plan of Profits for 2016 of Central China Securities Co., Ltd. (《中原证券股份有限公司2016年度利潤分配議案》) has been considered and approved at the 2016 annual general meeting of the Company held on 22 May 2017, which approved that based on the total share capital of A Shares and H Shares of 3,923,734,700 Shares as of 31 December 2016, the Company could distribute cash dividends of RMB1.21 per 10 shares (tax inclusive) to holders of A Shares and H Shares whose names appeared on the Company's register on the record date thereof, with total cash dividends of RMB474,771,898.70. In terms of distributing final dividends of 2016 to the Company's H Shareholders, the relevant dividends were distributed to Shareholders whose names appeared on the Company's H Share register of members on 31 May 2017.

The final dividends of 2016 were dominated and declared in Renminbi, and paid in Renminbi and HK Dollars to holders of A Shares and H Shares, respectively. The actual amount in HK Dollars was calculated based on the average benchmark exchange rate of Renminbi against HK Dollars published by the People's Bank of China five working days prior to the date of the 2016 annual general meeting (namely RMB0.882606 to HK\$1.00). Therefore, the final dividends of 2016 were HK\$0.13709 per H Share (tax inclusive). The Company has completed the distribution of final dividends of 2016 on 15 June 2017.

(II) Distribution plan of interim profits for 2017

In view of long-term development and sustainable shareholders' return, the Company made the following distribution plan of interim profits for 2017 to share its fast developing results of operation with all the shareholders:

1. With the total share capital of A Shares and H Shares of 3,923,734,700 Shares as of 30 June 2017 as the basis, the Company may distribute cash dividends of RMB0.73 per 10 shares (tax inclusive) to holders of A Shares and H Shares whose names appeared on the Company's register of members on the record date thereof, totalling RMB286,432,633.10.
2. Cash dividends are denominated and declared in Renminbi, and paid in Renminbi and HK Dollars to holders of A Shares and H Shares, respectively. The actual amount in HK Dollars will be based on the average benchmark exchange rate of Renminbi against HK Dollars published by the People's Bank of China five working days prior to the date of the extraordinary general meeting of the Company to be held to consider the distribution plan of interim profits for 2017.

After the distribution plan of interim profits for 2017 being considered and approved at the extraordinary general meeting of the Company, the cash dividends will be distributed within two months from the date of such general meeting.

The Company will later announce the record date and the book closure date for the distribution of H Share dividends.

(III) Interim dividends for 2017

The 39th meeting of the fifth session of the Board of the Company has considered and approved the distribution plan of interim profits for 2017 and proposed distribution plan of interim dividends for 2017, and an extraordinary general meeting will be convened by the Company to seek approval from the shareholders of the Company for the distribution plan of interim profits for 2017 and distribution plan of interim dividends for 2017.

II. CONNECTED TRANSACTIONS

Non-exempt connected transactions conducted by the Group in accordance with the Listing Rules during the Reporting Period are listed below:

On 28 June 2017, the shareholders of ZDKY Venture Capital, a subsidiary of the Company, passed the shareholders' resolutions. Pursuant to which, ZDKY Venture Capital will carry out the capital reduction whereby other shareholders of ZDKY Venture Capital will withdraw their respective capital contribution in ZDKY Venture Capital at a consideration on the basis of RMB1.17 for every RMB1 of their respective capital contribution. Upon completion of the capital reduction and amendments in the relevant industrial and commercial registration, ZDKY Venture Capital will become a wholly owned subsidiary of the Company with a registered capital of RMB895 million. Other shareholders of ZDKY Venture Capital will cease to be the shareholders of ZDKY Venture Capital and the Company will become the sole shareholder of ZDKY Venture Capital. On 28 June 2017, Dahe Media Investment Company Limited ("Dahe Media") and Zhengzhou Development Investment Group Co., Limited ("Zhengfa Group") held approximately 14.49% and 10.87%, respectively, of the equity interest of ZDKY Venture Capital. Whereas ZDKY Venture Capital is a subsidiary of the Company, Dahe Media and Zhengfa Group are substantial shareholders of a subsidiary of the Company and thus connected persons of the Group at the subsidiary level under Rules 14A.06(9) and 14A.07 of the Listing Rules. The capital reduction of Dahe Media and Zhengfa Group constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details of the connected transaction mentioned above, please refer to the announcement of the Company dated 28 June 2017.

See notes to the condensed interim financial information of this report for information about other related parties transactions and connected transactions.

On 3 August 2017, Central China Blue Ocean, Henan Investment Group, Zhongyuan Trust Company Limited ("Zhongyuan Trust"), Henan Yicheng Holdings Company Limited ("Henan Yicheng"), Dahe Media, Guotou Asset Management Limited, Henan Zhongyuan Expressway Co., Ltd., Central China Real Estate Group (China) Company Limited and Henan Rural Credit Union (collectively referred to as "Capital Contributors") entered into a capital contribution agreement, pursuant to which the capital contributors agreed to establish Henan AMC with a registered capital of RMB5 billion. Upon completion of the transaction contemplated under the capital contribution agreement, the Group will, through Central China Blue Ocean, hold 10% of the equity interest in Henan AMC.

On 3 August 2017, Henan Investment Group held approximately 20.975% of the issued share capital of the Company and was the largest substantial shareholder of the Company. Meanwhile, Henan Investment Group holds approximately 46.429% and 100%, respectively, of the equity interest in Zhongyuan Trust and Henan Yicheng, which in turn are the 30%-controlled company (as defined in the Listing Rules) and the subsidiary, respectively, of Henan Investment Group, and thus are associates of Henan Investment Group pursuant to Rules 14A.13(3) and 14A.13(1), respectively, of the Listing Rules. Accordingly, Henan Investment Group, Zhongyuan Trust and Henan Yicheng are connected persons of the Company under Rule 14A.07(1) of the Listing Rules. The transaction contemplated under the capital contribution agreement constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules. For details of the connected transaction mentioned above, please refer to the announcement of the Company dated 3 August 2017.

III. SHARE OPTION SCHEME

On 26 May 2015, Mao Yuan Capital Limited (“Mao Yuan”), a shareholder holding approximately 4.107% of the issued share capital of the Company at the time of issuing the notice, issued a written notice to the Company to propose new resolutions at the extraordinary general meeting and the class meetings regarding the proposed adoption of a Share Option Scheme. Pursuant to the written notice issued by Mao Yuan, it proposed the new resolutions in relation to the adoption of the Share Option Scheme because it hopes that the interest of the Company’s management will be closely bonded with the interest of the Company and unify the interests of the management of the Company, investors and the Company, so that the confidence of the shareholders and investors will be enhanced and the interest of the shareholders will be maximized. The Share Option Scheme shall be conditional upon (i) shareholders approve and adopt the Share Option Scheme through a resolution and authorize the Board to grant options according to the Share Option Scheme, and to allot and issue shares upon the exercises of any options; (ii) the performance of the Share Option Scheme is subject to the laws and regulations of PRC and the jurisdictions in which the shares of the Company are listed; and (iii) the listing committee of the Hong Kong Stock Exchange granting approval of the listing of, and the permission to deal in, any shares to be issued pursuant to the exercise of any options in accordance with the terms and conditions of the Share Option Scheme. The Share Option Scheme had been approved at the 2015 second extraordinary general meeting, the first Domestic Share class meeting and the first H Share class meeting of the Company. The Company will not implement the Share Option Scheme until the conditions for implementation of the Share Option Scheme have been met. For details of the Share Option Scheme as stated above, please refer to relevant contents in the Company’s 2015 annual report dated 23 March 2016.

IV. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of 30 June 2017, based on the information acquired by the Company and the knowledge of the Directors, the Directors, Supervisors and the chief executive of the Company had the following (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with Section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO):

Name	Class of shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total number of issued shares (%)	Percentage of the Company's total issued H shares (%)	Long positions/ short positions/ shares available for lending
Jian Mingjun	H share	Beneficial owner	750,000	0.019	0.060	Long position
		Beneficiary of a trust	539,754	0.014	0.043	Long position
Zhou Xiaoquan	H share	Beneficial owner	762,000	0.019	0.061	Long position

Except as disclosed above, as of 30 June 2017, no directors, supervisors or their respective spouse or children under the age of 18 have been given the right to purchase the shares or debentures of the Company to obtain benefit, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the directors, supervisors or their respective spouse or children under the age of 18 in any other body corporate.

V. DIRECTOR'S RIGHT TO PURCHASE SHARES OR DEBENTURES

As of the end of the Reporting Period, none of the Directors, Supervisors or their respective spouses or children under the age of 18 have been given the right to acquire benefits by buying shares or debentures of the Company or to exercise any of the said right; meanwhile, neither the Company nor its subsidiaries made any arrangement to enable the Directors, Supervisors or their respective spouses or children under the age of 18 to acquire any of the said right in any other body corporate.

VI. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 30 June 2017, to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executive of the Company) have the following interests or short positions in shares or underlying shares required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total issued shares (Approximate %)	Percentage of the Company's	Long positions/ short positions/ shares available for lending
					A shares/ H shares (Approximate %)	
Henan Investment Group	A share	Beneficial owner	822,983,847	20.98	30.78	Long position
Bohai Fund	A share	Beneficial owner	608,000,000	15.50	22.74	Long position
Bohai Fund Management (on behalf of Bohai Fund)	A share	Investment manager	608,000,000	15.50	22.74	Long position
Anyang Iron & Steel Group	A share	Beneficial owner	177,514,015	4.52	6.64	Long position
China Industrial International Trust Limited	H share	Beneficial owner	80,000,000	2.04	6.40	Long position
Citigroup Inc.	H share	Interest of controlled corporation	39,009,870	0.99	3.12	Long position
		Custodian corporation/ Approved lending agent	16,046,497	0.41	1.28	Shares available for lending
		Person holding security interest in shares	21,171,130	0.54	1.69	Long position

Save as disclosed above, as at 30 June 2017, the Company was not aware of any other persons (excluding the Directors, Supervisors and chief executive of the Company) having the interests or short positions required to be recorded in the register under Section 336 of the SFO in the shares or underlying shares of the Company.

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the Reporting Period.

On 22 May 2017, the Company convened the annual general meeting, the H Share class meeting and the A Share class meeting, in which the Proposal of Authorizing the Board to Repurchase H Shares of the Company was considered and passed. The relevant details were set out in the circular of the Company dated 5 May 2017 and its announcement dated 22 May 2017. As at the date of this report, the Company has not yet repurchased its H Shares.

VIII. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has been committed to maintaining a high-quality corporate governance to safeguard shareholders' interests and enhance enterprise value and accountability. During the Reporting Period, the Company has adopted and complied with all code provisions of Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The Company will continue to review and improve corporate governance practices to ensure it conforms to Corporate Governance Code.

IX. COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code concerning the securities transactions by Directors and Supervisors. The Company has made specific inquiries to all the Directors and Supervisors for the compliance with the Model Code. All the Directors and Supervisors have confirmed that they were in full compliance with the standards set out in the Model Code during the Reporting Period.

X. OPERATION OF THE BOARD AND SPECIALIZED COMMITTEES THEREUNDER

The Board currently comprises eleven Directors: two executive Directors, five non-executive Directors and four independent non-executive Directors, namely, Mr. Jian Mingjun (the chairman of the Company and executive Director), Mr. Zhou Xiaoquan (the president of the Company and executive Director), Mr. Li Xingjia, Mr. Zhang Qiang, Mr. Wang Lixin, Mr. Yu Zeyang and Mr. Zhang Xiaoqi (non-executive Directors), Mr. Yuan Dejun, Mr. Yuen Chi Wai, Mr. Ning Jincheng and Mr. Yu Xugang (independent non-executive Directors).

There are four special committees under the Board, including the Development Strategy Committee, the Risk Control Committee, the Remuneration and Nomination Committee and the Audit Committee, which function efficiently on clearly assigned responsibilities and duties. Among them, the Remuneration and Nomination Committee and the Audit Committee consist of a majority of independent non-executive Directors with independent non-executive Directors as their chairmen.

Members of the special committees are:

- (1) Development Strategy Committee: Mr. Jian Mingjun (Chairman), Mr. Zhou Xiaoquan, Mr. Li Xingjia, Mr. Zhang Qiang and Mr. Wang Lixin;
- (2) Risk Control Committee: Mr. Jian Mingjun (Chairman), Mr. Yu Zeyang and Mr. Ning Jincheng;
- (3) Remuneration and Nomination Committee: Mr. Yuan Dejun (Chairman), Mr. Zhou Xiaoquan, Mr. Zhang Xiaoqi, Mr. Yuen Chi Wai and Mr. Yu Xugang;
- (4) Audit Committee: Mr. Yuen Chi Wai (Chairman), Mr. Zhang Qiang and Mr. Yuan Dejun.

All Directors performed their statutory duties diligently and honestly and protected the interests of the Company and minority shareholders in accordance with relevant provisions of laws, regulations and Articles of Association of the Company. During the Reporting Period, the Board duly convened and meticulously prepared one general meeting to consider 21 proposals, one H Shares class meeting and one A Shares class meeting to consider 18 proposals. The Board actively organized and urged relevant institutions or persons to implement resolutions of the general meetings and followed up implementation of the resolutions. During the Reporting Period, the Board convened ten meetings and considered 52 proposals. All special committees under the Board put forward their professional advice, which served as important reference for the Board in its decision-making and enabled it to make more scientific and forward-looking decisions.

In particular, the Audit Committee and the management of the Company have reviewed the accounting policies that the Company has adopted, and discussed issues including internal control and financial reporting, and have fully reviewed consolidated interim financial information (including unaudited consolidated financial statements set out in this report) for the Reporting Period and this report. The Audit Committee considered that the preparation of such consolidated financial report was in conformity with applicable accounting standards and provisions and has made appropriate disclosures. The external auditors engaged by the Company have reviewed interim financial information in accordance with International Standard on Review Engagements No.2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

XI. OPERATION OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee has convened five meetings and considered 13 proposals. The members of the Supervisory Committee include: Mr. Lu Zhili (Chairman of the Supervisory Committee), Mr. Wang Jinchang, Mr. Yan Changkuan, Mr. Xie Junsheng, Ms. Xiang Siying, Mr. Xia Xiaoning (Supervisors), Ms. Wang Jing, Mr. Han Junyang and Ms. Zhang Lu (Employee Representative Supervisors). Supervisors earnestly performed their duties and supervised standard operation of the Company and safeguarded the legal rights and interests of the Company, shareholders and investors in accordance with relevant provisions in the Company Law of the PRC and Securities Law of the PRC and other relevant laws and regulations and the Articles of Association.

XII. LITIGATION AND NON-COMPLIANCE INCIDENTS

The litigation and non-compliance incidents of the Company during the Reporting Period are stated in paragraph 42.3 of the Notes to the Condensed Interim Financial Information contained in this interim report. The Directors, taking into consideration of external legal advice, were of the view that there was a relatively low possibility of adverse judgments resulting from these lawsuits. It is expected that such lawsuits will not have a material and adverse impact on the financial position, operation results and cash flows of the Company.

XIII. MAJOR LITIGATIONS

During the Reporting Period, the Company did not suffer from any new major litigations or arbitration cases. No enforcement proceedings or procedures for bankruptcy cases were available either.

XIV. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

During the Reporting Period, the Company was free from any major collocation, contract or lease and such matters in the previous period lasting to the Reporting Period.

XV. CLASSIFICATION AND EVALUATION RESULT OF THE COMPANY BY SECURITIES REGULATORS

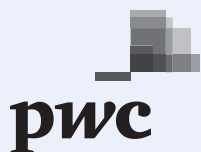
The Company was classified into Grade "A" under Class "A" in the 2017 classification and evaluation of securities companies by CSRC.

XVI. CHANGE IN DETAILS OF DIRECTORS AND SUPERVISORS

Pursuant to Rule 13.51B of the Listing Rules, as of the end of the Reporting Period, there was no change in details of Directors and Supervisors as compared to their biographies disclosed in the 2016 annual report, save for the followings:

The Company received a written letter of resignation from Mr. Lai Bulian, an employee representative supervisor, on 15 February 2017. Due to work arrangements, Mr. Lai Bulian applied for resignation as an employee representative supervisor of the fifth session of the Supervisory Committee of the Company. As the resignation of Mr. Lai Bulian would cause the number of the employee representative supervisors of the Company to be lower than the statutory minimum requirement, the Company would elect a new employee representative supervisor as soon as possible in accordance with the relevant provisions of the Company Law and the Articles of Association. Mr. Lai Bulian would continue to perform his duties as the employee representative supervisor in accordance with the relevant provisions as set out in the Company Law and the Articles of Association before a new employee representative supervisor was elected to take up the office. On 16 June 2017, Ms. Zhang Lu was elected as the employee representative supervisor of the fifth session of the Supervisory Committee and the resignation of Mr. Lai Bulian formally took effect. The relevant details were set out in the announcement of the Company dated 16 June 2017. Mr. Xu Haijun resigned as a joint company secretary of the Company due to work arrangements with effect from 25 July 2017. Following the effective date, Ms. Kwong Yin Ping Yvonne remains in office as the company secretary of the Company. The relevant details were set out in the announcement of the Company dated 24 July 2017.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CENTRAL CHINA 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 43 to 112, which comprises the interim condensed consolidated statement of financial position of Central China Securities Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". 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". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 International 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 International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 August 2017

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017
(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Continuing operations			
Revenue			
– Commission and fee income	4	496,647	716,476
– Interest income	5	594,180	597,420
– Net investment gains	6	107,175	153,416
		1,198,002	1,467,312
Other income and gains	7	112,272	32,462
Total revenue and other income		1,310,274	1,499,774
Commission and fee expenses	8	(102,756)	(101,038)
Interest expenses	9	(362,756)	(404,292)
Staff costs	10	(332,157)	(377,972)
Depreciation and amortisation		(33,942)	(32,452)
Other operating expenses and costs	11	(238,634)	(154,344)
Impairment losses	12	(13,584)	(3,224)
Total expenses		(1,083,829)	(1,073,322)
Profit before income tax		226,445	426,452
Income tax expense	13	(58,476)	(96,849)
Profit for the period from continuing operations		167,969	329,603
Discontinued operations			
Loss for the period from discontinued operations	14	–	(15,225)
Profit for the period		167,969	314,378
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets			
– Changes in fair value		(35,139)	(23,797)
– Income tax effect on changes in fair value		9,531	3,911
– Reclassification adjustments for loss included in the consolidated income statement, net		(10,523)	–
		(36,131)	(19,886)
Foreign currency translation differences		(22,912)	5,959
Other comprehensive income for the period, net of tax		(59,043)	(13,927)
Total comprehensive income for the period		108,926	300,451

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Profit attributable to:			
– Shareholders of the Company		133,374	306,156
– Non-controlling interests		34,595	8,222
		167,969	314,378
Profit attributable to shareholders of the Company arises from:			
– Continuing operations		133,374	313,921
– Discontinued operations		–	(7,765)
		133,374	306,156
Total comprehensive income attributable to:			
– Shareholders of the Company		72,415	286,119
– Non-controlling interests		36,511	14,332
		108,926	300,451
Total comprehensive income attributable to shareholders of the Company arises from:			
– Continuing operations		72,415	293,884
– Discontinued operations		–	(7,765)
		72,415	286,119
Earnings per share from continuing and discontinued operations attributable to shareholders of the Company (expressed in RMB yuan per share)			
Basic/Diluted			
From continuing operations	15	0.03	0.10
From discontinued operations	15	–	–
From profit for the period		0.03	0.10
Dividends	16	474,772	676,984

The notes on pages 51 to 112 form an integral part of this condensed interim consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Assets			
Non-current assets			
Property and equipment	17	238,833	242,085
Investment properties		22,355	22,953
Goodwill		21,902	21,466
Intangible assets		151,177	155,559
Investment in associates	18	308,011	370,422
Other non-current assets		23,490	21,225
Available-for-sale financial assets	19	1,141,788	506,539
Financial assets designated as at fair value through profit or loss	20	397,990	403,989
Financial assets held under resale agreements	21	930,593	676,704
Entrusted loans	22	24,750	24,750
Deferred income tax assets	23	143,401	117,929
Refundable deposits	24	345,164	490,078
Total non-current assets		3,749,454	3,053,699
Current assets			
Other current assets	25	629,945	583,955
Entrusted loans	22	431,527	495,384
Margin accounts receivable	26	5,555,593	6,119,265
Available-for-sale financial assets	19	1,949,164	2,076,799
Financial assets designated as at fair value through profit or loss	20	630,714	110,830
Financial assets held under resale agreements	21	10,681,828	5,234,992
Derivative financial assets	27	–	–
Financial assets held for trading	28	6,562,837	7,522,277
Clearing settlement funds	29	2,300,882	3,096,957
Cash held for brokerage clients		7,117,379	7,720,677
Cash and bank balances	30	1,711,689	4,369,739
Total current assets		37,571,558	37,330,875
Total assets		41,321,012	40,384,574
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	31	3,923,735	3,923,735
Reserves		5,682,010	5,767,198
Retained earnings		549,786	891,184
Total equity attributable to shareholders of the Company		10,155,531	10,582,117
Non-controlling interests		1,249,528	964,653
Total equity		11,405,059	11,546,770

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Liabilities			
Non-current liabilities			
Bonds payable	32	5,495,256	5,494,299
Bank loans	33	53,683	55,327
Deferred income tax liabilities	23	2,265	28,707
Total non-current liabilities		5,551,204	5,578,333
Current liabilities			
Other current liabilities		661,176	1,107,744
Financial liabilities designated as at fair value through profit or loss	34	430,351	1,208,177
Tax payable	35	74,951	96,475
Bank loans	33	1,088,011	661,119
Bonds payable	32	–	3,399,755
Short-term notes payable	36	260,970	410,000
Financial assets sold under repurchase agreements	37	11,047,854	5,607,979
Due to other financial institutions	38	850,000	400,000
Financial liabilities held for trading	39	666,320	–
Derivative financial liabilities	27	557	132
Accounts payable to brokerage clients	40	9,284,559	10,368,090
Total current liabilities		24,364,749	23,259,471
Total liabilities		29,915,953	28,837,804
Total equity and liabilities		41,321,012	40,384,574

The notes on pages 51 to 112 form an integral part of this condensed interim consolidated financial information.

The financial statements were approved by the Board of Directors on 24 August 2017 and were signed on its behalf:

JIAN Mingjun

Chairman of the Board and Executive Director

ZHOU Xiaoquan

Executive Director and President

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017
(All amounts in RMB'000 unless otherwise stated)

	(Unaudited)										
	Attributable to shareholders of the Company										
	Share capital (Note 31)	Capital reserve	Surplus reserve	General reserve	Transaction risk reserve	Available- for-sale financial assets revaluation reserve	Other reserves	Foreign currency reserve	Retained earnings	Non- controlling interests	Total equity
Balance at 1 January 2017	3,923,735	3,838,270	697,014	599,109	564,871	30,987	3,871	33,076	891,184	964,653	11,546,770
Profit for the period	-	-	-	-	-	-	-	-	133,374	34,595	167,969
Other comprehensive income for the period	-	-	-	-	-	(48,986)	-	(11,973)	-	1,916	(59,043)
Total comprehensive income for the period	-	-	-	-	-	(48,986)	-	(11,973)	133,374	36,511	108,926
Cash dividend recognised as distribution	-	-	-	-	-	-	-	-	(474,772)	-	(474,772)
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(22,776)	(22,776)
Net capital contribution/reduction for subsidiaries by non-controlling shareholders	-	(24,155)	-	-	-	-	-	-	-	271,297	247,142
Changes due to the placement of the associates from other shareholders	-	-	-	-	-	-	(74)	-	-	(157)	(231)
Balance at 30 June 2017	3,923,735	3,814,115	697,014	599,109	564,871	(17,999)	3,797	21,103	549,786	1,249,528	11,405,059

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	(Unaudited)									
	Attributable to shareholders of the Company									
	Share capital	Capital reserve	Surplus reserve	General reserve	Transaction risk reserve	Available-for-sale financial assets revaluation reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2016	3,223,735	1,864,928	604,797	531,483	503,393	30,703	5,795	1,396,747	714,873	8,876,454
Profit for the period	-	-	-	-	-	-	-	306,156	8,222	314,378
Other comprehensive income for the period	-	-	-	-	-	(25,996)	5,959	-	6,110	(13,927)
Total comprehensive income for the period	-	-	-	-	-	(25,996)	5,959	306,156	14,332	300,451
Cash dividend recognised as distribution	-	-	-	-	-	-	-	(676,984)	-	(676,984)
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(15,838)	(15,838)
Net capital contribution for subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	-	92,400	92,400
Conversion into a joint stock company by capitalization of reserves and retain earnings	-	3,530	-	-	-	-	-	(3,530)	-	-
Balance at 30 June 2016	3,223,735	1,868,458	604,797	531,483	503,393	4,707	11,754	1,022,389	805,767	8,576,483

The notes on pages 51 to 112 form an integral part of this condensed interim consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017
(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	226,445	426,452
Adjustments for:		
Depreciation and amortisation	33,942	32,452
Impairment losses	13,584	3,224
Net losses on disposal of property and equipment	300	109
Foreign exchange losses/(gains)	(603)	2,590
Net gains on disposal of available-for-sale financial assets	(45,440)	(1,053)
Dividends and interest income from available-for-sale financial assets	(22,097)	(30,550)
Investment gains from associates	(27,152)	(11,149)
Interest expenses of short-term notes	10,346	36,905
Interest expenses of bonds	172,519	237,767
Interest expenses of bank loans	10,006	2,477
Changes in fair value of financial instruments at fair value through profit or loss	84,829	31,842
	456,679	731,066
Net decrease/(increase) in operating assets:		
Net increase in financial assets held under resale agreements	(5,703,973)	(262,406)
Net decrease in margin accounts receivable	563,672	2,326,371
Net decrease/(increase) in financial assets held for trading	896,464	(2,021,542)
Net decrease in clearing settlement funds	622,108	2,258,627
Net decrease in cash held for brokerage clients	603,298	627,649
Net increase in other assets	(208,841)	(373,234)
Net increase/(decrease) in operating liabilities:		
Net increase in financial assets sold under repurchase agreements	5,439,875	1,455,996
Net increase in due to other financial institutions	450,000	464,726
Net decrease in accounts payable to brokerage clients	(1,083,531)	(2,536,965)
Net decrease in financial liabilities designated at fair value through profit or loss	(794,496)	(88,070)
Net increase in financial liabilities held for trading	659,674	–
Net decrease in other liabilities	(307,168)	(575,669)
Net decrease in assets of disposal group classified as held for sale	–	(14,460)
Net cash inflow from operating activities	1,593,761	1,992,089

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Dividends and interest received from available-for-sale financial assets	22,097	30,550
Net cash flows from purchase and disposal of property and equipment, intangible assets and other long-term assets	(10,637)	(33,739)
Net cash flow from purchase and disposal of associates	(91,774)	(44,700)
Net cash flows from disposal or purchase of available-for-sale financial assets	(509,318)	(307,210)
Payment for acquisition of subsidiaries	–	(14,616)
Net decrease in liabilities of disposal group classified as held for sale	–	(365)
Net cash outflow from investing activities	(589,632)	(370,080)
Cash flows from financing activities		
Dividends paid	(497,548)	(692,822)
Cash payment for the deduction of non-controlling shareholders	(560,836)	–
Cash received from issuance of short-term notes	388,180	–
Net cash received from issuance of bonds	–	2,501,452
Capital injection of subsidiaries from non-controlling shareholders	807,978	92,400
Repayment of short-term notes	(537,210)	(2,011,960)
Repayment of bonds	(3,400,000)	(1,000,000)
Cash received from bank loans	425,248	619,406
Payments of interest on debts	(462,561)	(467,061)
Net cash outflow from financing activities	(3,836,749)	(958,585)
Net (decrease)/increase in cash and cash equivalents	(2,832,620)	663,424
Cash and cash equivalents at the beginning of the period	4,643,229	2,144,554
Effect of exchange rate changes on cash and cash equivalents	603	(2,590)
Cash and cash equivalents at the end of the period (Note 41)	1,811,212	2,805,388
Cash and cash equivalents at the end of the period – Continuing operations	1,811,212	2,804,090
Cash and cash equivalents at the end of the period – Discontinued operations	–	1,298
Cash and cash equivalents at the end of the period (Note 41)	1,811,212	2,805,388

The notes on pages 51 to 112 form an integral part of this condensed interim consolidated financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

1 GENERAL INFORMATION

Central China Securities Co., Ltd. (the “Company”) is a joint-stock financial institution incorporated in Henan Province, the People’s Republic of China (the “PRC”). The Company was incorporated on 8 November 2002, pursuant to the approvals by China Securities Regulatory Commission (the “CSRC”) and the People’s Government of Henan Province. The Company completed the relevant registration with Henan Provincial Administration of Industry and Commerce (the “HAIC”) on 8 November 2002. The CSRC and the HAIC have granted the securities institution license No. Z30574000 and business licence No. 410000100009831 to the Company, respectively. The registered address of the Company is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province. As at 30 June 2017, the registered capital of the Company is RMB3,923.74 million.

The principle business of the Company and its subsidiaries (the “Group”) include brokerage business (securities and futures brokerages, wealth management, and distribution of financial products), investment banking business (equity financing, financial advisory and bond financing), investment management business (asset management, direct investment and funds management), proprietary trading business, and other business at headquarters (stock pledged repurchase and transaction securities repurchase transactions, the new OTC Board market making business, internet finance business, innovation business, equity exchange centre, overseas business and research business).

The Company completed its initial public offering of overseas-listed foreign shares (“H shares”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 25 June 2014. Under this offering, the Company issued a total of 598,119,000 shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB2,631.62 million.

The Company completed its placement of H shares on Hong Kong Stock Exchange on 3 August 2015. The Company issued a total of 592,119,000 shares with a nominal value of RMB1 per share. After this placement, total share capital of the Company was increased to RMB3,223.74 million.

The Company completed its initial public offering of domestic-listed shares (“A shares”) on the Shanghai Stock Exchange on 30 December 2016. The Company issued a total of 700,000,000 shares with a nominal value of RMB1 per share. After this issuance, total share capital of the Company was increased to RMB3,923.74 million.

The condensed consolidated interim financial information is presented in Renminbi (“RMB”), which is also the functional currency of the Company.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(1) Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2017 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. The Company’s auditor has expressed an unqualified opinion on those financial statements in the report dated 30 March 2017.

(2) Principal accounting policies

Except for certain number of financial instruments measured at fair value, the interim financial information has been prepared under the historical cost convention. The principal accounting policies and methods of computation used in the condensed interim financial information for the six months ended 30 June 2017 are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(3) Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group

Standards and amendments that are not yet effective and have not been adopted before their effective dates by the Group are as follows:

			Effective for annual periods beginning on or after
(1)	Amendments to IFRS 2	Share-based Payment	1 January 2018
(2)	IFRS 9	Financial Instruments	1 January 2018
(3)	IFRS 15	Revenue from Contracts with Customers	1 January 2018
(4)	Amendments to IAS 40	Transfer of Investments Property	1 January 2018
(5)	IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
(6)	IFRS 16	Leases	1 January 2019
(7)	IFRS 23	Uncertainty over Income Tax Treatments	1 January 2019
(8)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
(9)	Amendments to IAS 28	IASB Annual Improvements 2014-2016 cycle	1 January 2018
(10)	IFRS 17	Insurance Contracts	1 January 2021

Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2016. The Group is in the process of assessing the impact of IFRS 9 on the Group's consolidated financial statements. The Group anticipates that the adoption of other standards and amendments will not have a significant impact on the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(4) Taxation

According to relevant PRC tax policies, the most significant categories of taxes to which the Group is currently subjected are as follows:

(a) Income tax

The PRC Enterprise income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%.

The income tax rate for subsidiaries established and operate in Hong Kong is 16.5%.

(b) Value added tax

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 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.

In accordance with “Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services” (Cai Shui [2016] No. 140), “Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products” (Cai Shui [2017] No. 2) and “Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products” (Cai Shui [2017] No. 56), managers of asset management products shall pay VAT at rate of 3% for taxable activities undertaken after 1 January 2018.

After the implementation of the VAT Pilot Programs, the Group’s related income is presented at value net of its respective VAT in the consolidated income statements.

- (c) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.
- (d) Urban maintenance and construction taxes, education surcharges and local education surcharges are levied at 7%, 3% and 2%, respectively, of the payable amount of relevant turnover taxes.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4 COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Brokerage income	380,421	500,386
Investment advisory	41,025	64,265
Asset management and fund management	33,850	25,934
Financial advisory	24,523	98,075
Underwriting and sponsorship	11,449	27,277
Listing service	5,379	539
Total	496,647	716,476

5 INTEREST INCOME

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Margin financing and securities lending	231,103	250,664
Bank deposits	121,708	173,561
Financial assets held under resale agreements	214,068	156,512
Entrusted loans	27,301	16,683
Total	594,180	597,420

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

6 NET INVESTMENT GAINS

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Realised losses from disposal of financial assets held for trading	(93,003)	(28,882)
Dividends and interest income from financial assets held for trading	162,603	171,713
Dividends and interest income from available-for-sale financial assets	22,097	30,550
Realised gains from disposal of available-for-sale financial assets	45,440	1,053
Net realised losses from derivative financial instruments	(1,403)	(325)
Investment gains from associates	27,152	11,149
Realised losses from disposal of financial liabilities held for trading	(796)	–
Dividends and interest income from financial assets designed as at fair value through profit or loss	29,914	–
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets held for trading	(62,976)	(23,869)
– Financial liabilities held for trading	(6,647)	–
– Derivative financial instruments	242	(4,107)
– Financial assets designated as at fair value through profit or loss	1,065	–
– Financial liabilities designated at fair value through profit or loss	(16,513)	(3,866)
Total	107,175	153,416

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

7 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Government grants ⁽¹⁾	2,993	29,105
Rental income	1,746	1,744
Income from bulk commodity trading	103,536	–
Others	3,997	1,613
Total	112,272	32,462

(1) This item consists of tax incentive and other grants from local governments.

8 COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Brokerage expenses	99,326	94,003
Asset and fund management	2,332	1,910
Financial advisory	625	3,278
Underwriting and sponsorship	473	1,847
Total	102,756	101,038

9 INTEREST EXPENSES

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Corporate bonds	172,519	237,767
Financial assets sold under repurchase agreements	138,534	97,432
Accounts payable to brokerage clients	17,675	24,720
Due to other financial institutions	12,476	4,250
Short-term notes	10,346	36,905
Bank loans	10,006	2,477
Others	1,200	741
Total	362,756	404,292

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

10 STAFF COSTS

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Salaries and bonus	210,947	255,336
Pension	58,025	78,500
Other social security benefits	48,305	27,564
Labor union funds and employee education funds	8,597	10,868
Other welfare	6,283	5,704
Total	332,157	377,972

11 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Rental expenses	30,063	24,493
Consulting fees	9,341	7,353
Communication costs	8,593	8,171
Tax and surcharges	7,845	46,985
Electronic device operating costs	7,303	8,106
Travel expenses	6,600	2,916
Business entertainment expenses	6,563	2,290
Securities investors protection fund	5,989	9,195
Incidental fees	5,743	2,570
Exchange annual fees	5,040	4,119
Auditor's remuneration	3,070	2,521
– Audit services	2,994	2,492
– Non-audit services	76	29
Cost of bulk commodity trading	101,079	–
Compensation (Note 42.3 (a))	11,616	–
Others	29,789	35,625
Total	238,634	154,344

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

12 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Entrusted loans	7,166	3,579
Financial assets held under resale agreements	3,249	1,683
Accounts receivable	194	830
Available-for-sale financial assets	1	19
Margin accounts receivable	2,974	(2,887)
Total	13,584	3,224

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Current		
– Mainland China	89,856	53,153
– Hong Kong	7,531	519
Deferred		
– Mainland China	(38,317)	43,177
– Hong Kong	(594)	–
Total	58,476	96,849

14 LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

The assets and liabilities related to Taiping Fund Management Co., Ltd. (formerly known as Ashmore-CCSC Fund Management Co., Ltd. (“Ashmore-CCSC”)), a 51% owned subsidiary of the Company, had been presented as held for sale as at 31 December 2015. The Board of the Directors of the Company made a disposal decision of Ashmore-CCSC in 2015. In August 2016, the Group disposed 34% equity interest of Ashmore-CCSC to a third party at a consideration of RMB44.30 million. As at 30 June 2017, the Group held 14.98% equity interest of Ashmore-CCSC and accounts it for as an associate.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

14 LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS (CONTINUED)

14.1 Analysis of the result of discontinued operations is as follows:

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Revenue	–	(187)
Expenses	–	(15,038)
Loss before tax of discontinued operations	–	(15,225)
Less: Tax	–	–
Loss after tax of discontinued operations	–	(15,225)
Pre-tax loss recognised on the re-measurement of assets of the disposal group	–	–
Less: Tax	–	–
After tax loss recognised on the re-measurement of assets of the disposal group	–	–
Loss for the period from discontinued operations	–	(15,225)
Loss for the year from discontinued operations attributable to:		
– Shareholders of the Company	–	(7,765)
– Non-controlling interests	–	(7,460)
Loss for the period from discontinued operations	–	(15,225)

14.2 Analysis of the result of discontinued cash flow is as follows:

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Operating cash flows	–	(14,460)
Investing cash flows	–	(365)
Financing cash flows	–	–
Total	–	(14,825)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

15 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to shareholders of the Company		
– Continuing operations	133,374	313,921
– Discontinued operations	–	(7,765)
Total	133,374	306,156
Weighted average number of ordinary shares in issue	3,923,735	3,223,735
Basic earnings per share (in RMB yuan)		
– Continuing operations	0.03	0.10
– Discontinued operations	–	–

For the six months ended 30 June 2017 and 2016, there were no potential dilutive ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

16 DIVIDENDS

The 2016 profit distribution was approved in the 2016 annual general shareholders' meeting held on 22 May 2017 in Zhengzhou. Total dividend of RMB474,771,899 was declared and paid out as of 30 June 2017.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

17 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
(Unaudited)					
Cost					
1 January 2017	176,670	27,725	319,453	4,051	527,899
Additions	-	772	13,246	23	14,041
Transfer to investment properties	219	-	-	-	219
Disposals	-	(3,470)	(11,467)	-	(14,937)
Exchange difference	-	(42)	(37)	-	(79)
30 June 2017	176,889	24,985	321,195	4,074	527,143
Accumulated depreciation					
1 January 2017	(42,635)	(19,691)	(223,488)	-	(285,814)
Additions	(2,286)	(1,002)	(13,365)	-	(16,653)
Transfer to investment properties	(102)	-	-	-	(102)
Disposals	-	3,329	10,908	-	14,237
Exchange difference	-	8	14	-	22
30 June 2017	(45,023)	(17,356)	(225,931)	-	(288,310)
Carrying amount					
30 June 2017	131,866	7,629	95,264	4,074	238,833

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

17 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
(Audited)					
Cost					
1 January 2016	180,155	27,496	296,920	543	505,114
Additions	–	271	41,425	3,508	45,204
Transfer to investment properties	(3,485)	–	–	–	(3,485)
Disposals	–	(131)	(18,945)	–	(19,076)
Exchange difference	–	89	53	–	142
31 December 2016	176,670	27,725	319,453	4,051	527,899
Accumulated depreciation					
1 January 2016	(38,857)	(17,589)	(212,572)	–	(269,018)
Additions	(4,640)	(2,216)	(25,701)	–	(32,557)
Transfer to investment properties	862	–	–	–	862
Disposals	–	124	14,803	–	14,927
Exchange difference	–	(10)	(18)	–	(28)
31 December 2016	(42,635)	(19,691)	(223,488)	–	(285,814)
Carrying amount					
31 December 2016	134,035	8,034	95,965	4,051	242,085

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

18 INVESTMENT IN ASSOCIATES

Details of the investment in associates, unlisted, are as below:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Balance at beginning of the period/year	370,422	91,864
Capital contribution	35,480	265,850
Disposal	(85,225)	–
Share of results	(12,666)	12,708
	<hr/>	<hr/>
Balance at end of the period/year	308,011	370,422

The capital contribution and disposal of investment in associates are mainly composed of those invested by Zhongding Kaiyuan Venture Capital Management Co., Ltd. and Henan Zhongyuan Kechuang Venture Capital Investment Fund (limited partnership), both are subsidiaries of the Company registered in Mainland China.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
At fair value		
Specified asset management schemes ⁽¹⁾	209,839	310,639
Debt securities	606,741	60,000
Collective asset management schemes	108,473	131,430
Investment funds	36,050	2,044
Targeted asset management schemes	106,400	–
Less: impairment allowance	(38,748)	(55,655)
Subtotal	1,028,755	448,458
At cost		
Investments in unlisted companies	114,267	60,458
Less: impairment losses	(1,234)	(2,377)
Subtotal	113,033	58,081
Total	1,141,788	506,539
Analysed as		
Listed outside Hong Kong	546,741	–
Unlisted	635,029	564,571
Less: impairment allowance	(39,982)	(58,032)
Total	1,141,788	506,539

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
At fair value		
Collective asset management schemes	97,944	140,870
Equity securities	442,448	252,241
Specified asset management schemes ⁽¹⁾	162,760	79,960
Targeted asset management schemes	–	100,000
Trust schemes	30,000	–
Investment funds	27,902	25,984
Wealth management products	1,101,000	158,000
Debt securities	119,977	–
Others ⁽²⁾	–	1,334,560
Less: impairment allowance	(32,867)	(14,816)
Subtotal	1,949,164	2,076,799
Total	1,949,164	2,076,799
Analysed as		
Listed outside Hong Kong	295,104	1,501,915
Listed in Hong Kong	286,095	98,733
Unlisted	1,400,832	490,967
Less: impairment allowance	(32,867)	(14,816)
Total	1,949,164	2,076,799

(1) As at 31 December 2016, the Group set aside an impairment allowance of RMB70.45 million for the Da Cheng Xi Yellow River Bridge specified asset management scheme based on independent valuation. Management of the Company concluded that the impairment allowance of RMB70.45 million remains sufficient as at 30 June 2017.

(2) As at 30 June 2017, others mainly included the investment portfolio, operating by China Securities Finance Corporation Limited (“CSF”), which was jointly invested by the Company and other securities companies. Under the investment agreement, the Company and other joint investors share the income/loss based on contribution proportion. As at 30 June 2017, all investment in this portfolio has been returned from CSF (31 December 2016: cost of RMB1,323.45 million, and fair value at RMB1,344.56 million).

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Current assets (continued)

As at 30 June 2017, available-for-sale financial assets of the Group included securities lent to clients of RMB13.99 million (31 December 2016: RMB11.86 million).

As at 30 June 2017, the available-for-sale financial assets of Central China International Financial Holding Co., Ltd. (the "CCIFHC"), a subsidiary established and operates in Hong Kong, consisted of RMB77.24 million securities, which had been pledged with the Hong Kong branch of Bank of Communications Co., Ltd. as collateral of its bank loans (Note 33). In addition to the above, the Group has no other securities used as collateral (31 December 2016: of RMB69.31 million).

20 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Analysed by asset type:		
Convertible bonds	397,990	403,989
Analysed by market:		
Unlisted	397,990	403,989

Current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Analysed by asset type:		
Debt instrument in unlisted company	300,000	–
Convertible bonds	202,286	89,451
Others	128,428	21,379
Total	630,714	110,830
Analysed by market:		
Unlisted	630,714	110,830

The convertible bonds held by the Group are hybrid financial instruments, which are designated as financial assets at fair value through profit or loss with a fair value of RMB600.28 million (31 December 2016: RMB493.44 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

21 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Analysed by asset type:		
– Equity securities	934,680	678,400
Less: Impairment provision	(4,087)	(1,696)
Total	930,593	676,704
Analysed by market:		
– Shanghai Stock Exchange	300,000	–
– Shenzhen Stock Exchange	634,680	678,400
Less: Impairment provision	(4,087)	(1,696)
Total	930,593	676,704

Current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Analysed by asset type:		
– Debt securities	8,745,826	3,211,450
– Equity securities	1,942,293	2,028,976
Less: Impairment provision	(6,291)	(5,434)
Total	10,681,828	5,234,992
Analysed by market:		
– Interbank market	7,952,125	3,048,951
– Shenzhen Stock Exchange	1,667,252	1,039,399
– Shanghai Stock Exchange	851,762	928,448
– Hong Kong Stock Exchange	216,980	223,628
Less: Impairment provision	(6,291)	(5,434)
Total	10,681,828	5,234,992

21 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(CONTINUED)

Current assets (continued)

Collateral held by the Group as part of certain resale agreements may be placed again as collateral in the absence of default by any party involved, and the Group is obligated to return the assets to its counterparties upon maturity of the contracts. As at 30 June 2017, the fair value of securities of the Group which have been placed as collateral was RMB7,489 million (31 December 2016: RMB2,393.76 million).

One agreement with stock collateral of RMB121.10 million was overdue as of 30 June 2017 and RMB115.31 million was repayed through the enforcement of court order. The directors of the Company, taking into consideration of the value of collateral and external legal advice, concluded that the remaining amount can be fully recovered and no provision is recognised as of 30 June 2017.

22 ENTRUSTED LOANS

Non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Entrusted loans	25,000	25,000
Less: Impairment allowance	(250)	(250)
Total	24,750	24,750

Current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Entrusted loans	451,612	508,304
Less: Impairment allowance	(20,085)	(12,920)
Total	431,527	495,384

Entrusted loans represent the Group's lending to third parties via domestic commercial banks in Mainland China, with interest rates ranging from 8% to 12% per annum.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

23 DEFERRED INCOME TAX ASSETS AND LIABILITIES

The movements in deferred income tax assets during the year/period are as follows:

	Provision for asset impairment	Employee benefits payable	Changes in fair value of available-for- sale financial assets	Changes in fair value of financial instruments held for trading	Accrual and others	Total
(Audited)						
As at 1 January 2016	44,000	157,049	16	–	8,270	209,335
Income statement charge	(10,032)	(82,907)	–	–	1,549	(91,390)
Tax charge relating to components of other comprehensive income	–	–	(16)	–	–	(16)
As at 31 December 2016	33,968	74,142	–	–	9,819	117,929
(Unaudited)						
As at 1 January 2017	33,968	74,142	–	–	9,819	117,929
Income statement charge	3,046	3,902	–	8,836	9,723	25,507
Exchange difference	–	–	–	–	(35)	(35)
As at 30 June 2017	37,014	78,044	–	8,836	19,507	143,401

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

The movements in deferred income tax liabilities during the year/period are as follows:

	Changes in fair value of available-for- sale financial assets	Changes in fair value of financial assets held for trading	Changes in fair value of derivatives	Others	Total
(Audited)					
As at 1 January 2016	(12,012)	(21,690)	(182)	(15,273)	(49,157)
Income statement charge	-	19,585	115	2,502	22,202
Tax charge relating to components of other comprehensive income	(1,803)	-	-	-	(1,803)
Exchange difference	-	-	-	51	51
As at 31 December 2016	(13,815)	(2,105)	(67)	(12,720)	(28,707)
(Unaudited)					
As at 1 January 2017	(13,815)	(2,105)	(67)	(12,720)	(28,707)
Income statement charge	-	2,068	(27)	11,363	13,404
Tax charge relating to components of other comprehensive income	13,038	-	-	-	13,038
As at 30 June 2017	(777)	(37)	(94)	(1,357)	(2,265)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

23 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net movements on the deferred income tax account are as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Balance at beginning of the period/year	89,222	160,178
Income statement charge	38,911	(69,188)
Tax charge relating to components of other comprehensive income	13,038	(1,819)
Exchange difference	(35)	51
Balance at end of the period/year	141,136	89,222

24 REFUNDABLE DEPOSITS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	30,144	37,544
– Shenzhen Stock Exchange	19,486	23,385
– National Equities Exchange and Quotations	969	969
Deposits to Futures and Commodities Exchanges		
– China Financial Futures Exchange	20,804	117,018
– Shanghai Futures Exchange	128,369	128,204
– Zhengzhou Commodities Exchange	54,600	40,460
– Dalian Commodities Exchange	73,951	66,672
Deposits to China Securities Finance Corporation Limited	16,841	75,826
Total	345,164	490,078

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

25 OTHER CURRENT ASSETS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Interest receivable	431,561	397,345
Others receivables	97,564	119,245
Accounts receivable	54,823	46,923
Bulk commodity trading inventory and others	76,959	51,210
Less: Impairment allowance	(30,962)	(30,768)
Total	629,945	583,955

26 MARGIN ACCOUNT RECEIVABLE

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Margin Accounts Receivable		
– Individuals	5,363,539	5,953,677
– Institutions	209,240	180,078
Subtotal	5,572,779	6,133,755
Allowance for impairment losses	(17,186)	(14,490)
Total	5,555,593	6,119,265

As at 30 June 2017, the Group received collateral with fair value amounted to RMB15,152.64 million (31 December 2016 RMB15,383.06 million) in margin financing business.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

27 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The derivative financial assets and liabilities of the Group mainly represent stock options, stock index futures contracts and the commodity futures contracts. The Group settles its future gains or losses on position on a daily basis, with the corresponding receipts and payments as at 30 June 2017 and 31 December 2016 included in “clearing settlement funds”.

	30 June 2017		31 December 2016	
	Contractual value (Unaudited)	Fair value change (Unaudited)	Contractual value (Audited)	Fair value change (Audited)
Futures	78,910	205	49,822	235
Less: settlement		(205)		(235)
Options	936	(557)	186	(132)
Net position		(557)		(132)

28 FINANCIAL ASSETS HELD FOR TRADING

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Debt securities	5,312,877	5,739,835
Equity securities	857,897	822,911
Investment funds	152,104	863,728
Others	239,959	95,803
Total	6,562,837	7,522,277
Analysed as		
Listed outside Hong Kong	6,307,864	7,425,469
Listed in Hong Kong	15,014	–
Unlisted	239,959	96,808
Total	6,562,837	7,522,277

As at 30 June 2017, the fair values of securities of the Group which have been placed as collateral were RMB4,095 million (31 December 2016: RMB3,530.71 million).

Those “listed outside Hong Kong” included securities and investment funds traded in the PRC’s interbank bond markets, Shanghai and Shenzhen Stock Exchanges and National Equities Exchange and Quotations.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

29 CLEARING SETTLEMENT FUNDS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Clearing settlement funds held for clients	2,201,359	2,823,467
Proprietary clearing settlement funds	99,523	273,490
Total	2,300,882	3,096,957

30 CASH AND BANK BALANCES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash on hand	577	659
Deposits in banks	1,711,112	4,369,080
Total	1,711,689	4,369,739

As at 30 June 2017, the amount of restricted cash and bank deposits is RMB7.59 million (31 December 2016: RMB3.55 million).

31 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1.00 per share. The number of shares and nominal value of the Company's share capital are as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Issued and fully paid ordinary shares of RMB1.00 each		
– Domestic shares	2,673,706	2,673,706
– H shares	1,250,029	1,250,029
Total	3,923,735	3,923,735
Share Capital		
– Domestic shares	2,673,706	2,673,706
– H shares	1,250,029	1,250,029
Total	3,923,735	3,923,735

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

32 BONDS PAYABLE

Non-current liabilities

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Subordinated bonds	4,000,000	4,000,000
Corporate bond	1,495,256	1,494,299
Total	5,495,256	5,494,299

Current liabilities

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Subordinated bonds	–	3,399,755

On 13 February 2017, the Board of directors of the Company exercise the issuer's redemption option of one of the subordinated bonds (15 中原01) with the nominal amount of RMB1,400 million.

On 17 April 2017, the Board of directors of the Company exercise the issuer's redemption option of one of the subordinated bonds (15 中原02) with the nominal amount of RMB2,000 million.

Corporate bond of the Company pay annual interest rates of 6.2%. The term of the corporate bond is five years, with the issuer's option to raise interest rate and the investors' put option at the end of the third year.

33 BANK LOANS

The non-current bank loan is a secured bank loan of USD7.98 million, equivalent to RMB53.68 million borrowed by CCIFHC (31 December 2016: RMB55.33 million). The bank loan is repayable on 18 December 2018 and pays interest rate at London Interbank Offered Rate (the "LIBOR") plus 1.8% per annum.

Part of the current bank loans are overseas loans of HKD564.59 million under domestic bank guarantee, equivalent to RMB490.02 million, which was borrowed by CCIFHC, a subsidiary of the Company. The bank loans pay interest rate at 1.3% to 1.55% plus Hong Kong Interbank Offered Rate (the "HIBOR") per annum.

The other part of current bank loans are overseas fiduciary loans and collateral loan amounted to HKD689.00 million, equivalent to RMB597.99 million, which was borrowed by CCIFHC and Central China International Securities Co., Ltd., subsidiaries of the Company registered in Hong Kong. The bank loans pay interest rate at 1.6% to 2.6% plus HIBOR per annum.

34 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities (the "SEs") are designated at fair value through profit or loss as the Group has the obligation to pay other investors upon maturity dates of the SEs based on net book value and the related terms of those schemes.

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Asset management schemes	150,972	926,217
Limited partnership	279,379	281,960
Total	430,351	1,208,177

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

35 TAX PAYABLE

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Corporate income tax	59,192	80,722
Individual income tax withheld	12,841	4,899
Others	2,046	2,607
Value added tax	872	8,247
Total	74,951	96,475

36 SHORT-TERM NOTES PAYABLE

Current liabilities

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Beneficiary certificates	260,970	410,000

As at 30 June 2017, the annual interest rates on the short-term notes payable in the range of 4.3% to 4.9%.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

37 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Current liabilities

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Analysed by asset type:		
– Debt securities	10,747,854	5,607,979
– Margin accounts receivable	300,000	–
Total	11,047,854	5,607,979
Analysed by market:		
– Interbank market	9,688,354	4,969,079
– Shanghai Stock Exchange	1,059,500	638,900
– Others	300,000	–
Total	11,047,854	5,607,979
Analysed by transaction type:		
– Pledged	3,993,750	2,088,850
– Sold	7,054,104	3,519,129
Total	11,047,854	5,607,979

38 DUE TO OTHER FINANCIAL INSTITUTIONS

As at 30 June 2017, due to other financial institutions of the Group represented placements from China Securities Finance Corporation Limited and finance company (31 December 2016: RMB400 million).

39 FINANCIAL LIABILITIES HELD FOR TRADING

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Debt securities	666,320	–

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

40 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

As at 30 June 2017, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB830.02 million (31 December 2016: RMB942.00 million), and are included in the Group's accounts payable to brokerage clients.

41 CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash on hand	577	659
Deposits in banks	1,711,112	4,369,080
Proprietary clearing settlement funds	99,523	273,490
Total	1,811,212	4,643,229

42 COMMITMENTS AND CONTINGENT LIABILITIES

42.1 Capital commitments

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Contracted but not provided for	25,990	32,615

42 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

42.2 Operating lease commitments

Considering the Group as a lessee, the total future minimum lease payments of buildings under irrevocable operating lease arrangements are as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	53,105	53,646
1 to 3 years	73,665	83,471
Over 3 years	18,548	28,924
Total	145,318	166,041

42.3 Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities.

- a) The Hebi branch manager sold financial products irregularly. The Company received the rectification notice from China Securities Regulatory Commission Henan branch; and was required to pay a compensation of RMB11.62 million to investors which has been paid as of 30 June 2017.
- b) The Company is involved as defendant in a lawsuit arising from margin financing business entered into with a customer in 2016. As at 30 June 2017, the lawsuit with total claim in dispute of RMB1.08 million had been dismissed by the court in its second and final trial.
- c) The Company is involved as defendant in three lawsuits arising from certain finance lease contracts entered into by a former employee falsified as representative of the Company in 2015 and 2016. As at 30 June 2017, two lawsuits with total claim, in dispute of RMB2.26 million had been ruled by the court for withdrawal of civil action while the other one is in legal proceeding with claim in dispute of RMB11.67 million.

The Directors of the Company, taking into consideration of external legal advice, concluded that these lawsuits will not have a material impact on the financial position, operations or cash flows of the Group.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

43 RELATED PARTY TRANSACTIONS

43.1 Related parties

When the Group exercises control, common control over or has significant influence on another entity; or another entity exercises control, common control over or has significant influences on the Group; or the Group and another entity are under control, common control or significantly influenced by the same party, the Group and the entity are related parties. Related parties can be individuals or legal entities.

The following table lists the Group's significant related legal entities and the holdings of the Company's major shareholders as at 30 June 2017:

Significant related legal persons	The relationship with the Group	Stock holding percentage
Henan Investment Group	The controlling shareholder of the Company	20.98%
Bohai Industrial Investment Fund Management Co., Ltd. (representing Bohai Industrial Investment Fund)	Major shareholder holding over 5% shares of the Company	15.50%
Henan Sky-Land Hotel Co., Ltd.	Controlled by the controlling shareholder of the Company	–
Central China Trust Co., Ltd.	Controlled by the controlling shareholder of the Company	–

43.2 Related party transactions and balances

43.2.1 Enterprise controlled by the controlling shareholder of the Company

Transactions during the period

		Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Central China Trust Co., Ltd.	Commission and fee income	1,424	–

43 RELATED PARTY TRANSACTIONS (CONTINUED)

43.2 Related party transactions and balances (continued)

43.2.1 Enterprise controlled by the controlling shareholder of the Company (continued)

Balances at the end of the period/year

	30 June 2017 (Unaudited)	31 December 2016 (Unaudited)
Henan Sky-Land Hotel Co., Ltd. Prepayments	–	845

43.2.2 Key management personnel

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the board of directors, board of supervisors and other members of the senior management.

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Key management compensation	7,694	4,590

43.2.3 Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of the reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

44 SEGMENT INFORMATION

The Group manages business operations by the following segments in accordance with the nature of the operations and the services provided:

- (a) Securities brokerage: securities trading and brokering services;
- (b) Futures brokerage: futures trading and brokering and futures information advisory and training services;
- (c) Margin trading and securities lending: margin trading and securities lending services;
- (d) Investment banking: corporate finance and financial advisory services to institutional clients;
- (e) Proprietary trading: trading in financial products;
- (f) Investments and asset management: direct investments and funds related businesses, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (g) Overseas business: the overseas operations segment mainly represents the business operation of overseas subsidiary of the Company, which mainly engages in brokerage, margin financing, trading and investment and financial planning and advisory services;
- (h) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties, and there was no change in the basis during the period.

The Group mainly operates business in Henan Province, the PRC.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

44 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2017										Total (continued and discontinued operation)	
	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total (continued operation)		
Total revenue and other income												
Commission and fee income												
– external	337,200	53,172	25,338	24,279	-	32,111	15,361	10,537	(1,351)	496,647	496,647	
– internal	337,200	53,172	25,338	24,279	-	32,111	15,361	10,537	-	497,998	497,998	
Interest income	-	-	-	-	-	-	-	-	(1,351)	(1,351)	(1,351)	
– external	35	12,969	219,924	-	127,114	29,413	27,502	177,223	-	594,180	594,180	
– internal	35	12,969	219,924	-	127,114	29,413	27,502	177,223	-	594,180	594,180	
Net investment gains/(loss)	-	862	-	-	42,975	3,039	42,643	81,482	(63,826)	107,175	107,175	
– external	-	862	-	-	42,975	3,039	42,643	81,482	-	171,001	171,001	
– internal	-	-	-	-	-	-	-	-	(63,826)	(63,826)	(63,826)	
Other gains/(loss)	2,782	103,732	285	-	245	480	784	4,607	(643)	112,272	112,272	
– external	2,782	103,732	285	-	245	480	784	4,607	-	112,915	112,915	
– internal	-	-	-	-	-	-	-	-	(643)	(643)	(643)	
Total expenses	(271,764)	(151,316)	(103,205)	(46,780)	(225,446)	(39,904)	(47,651)	(199,743)	1,980	(1,083,829)	(1,083,829)	
Profit before income tax	68,253	19,419	142,342	(22,501)	(55,112)	25,139	38,639	74,106	(63,840)	226,445	226,445	
Total assets	9,200,601	1,220,385	797,128	31,064	11,848,261	2,840,891	2,251,871	17,011,399	(3,880,588)	41,321,012	41,321,012	
Total liabilities	8,841,313	770,383	512,938	53,565	11,822,446	462,998	1,325,490	6,263,511	(136,691)	29,915,953	29,915,953	

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(All amounts in RMB'000 unless otherwise stated)

44 SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2016

	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total (continued operation)	Discontinued operation	Total (continued and discontinued operation)
Total revenue and other income												
Commission and fee income	500,244	19,806	41,678	98,272	-	45,681	7,521	4,528	(1,254)	716,476	74	716,550
- external	500,244	19,806	41,678	98,272	-	45,681	7,521	4,528	-	717,730	74	717,804
- internal	-	-	-	-	-	-	-	-	(1,254)	(1,254)	-	(1,254)
Interest income	32	10,727	250,991	-	61,103	18,200	13,464	242,903	-	597,420	178	597,598
- external	32	10,727	250,991	-	61,103	18,200	13,464	242,903	-	597,420	178	597,598
Net investment gains/(loss)	-	321	-	-	117,366	26,032	430	42,246	(32,980)	153,415	(851)	152,564
- external	-	321	-	-	117,366	26,032	430	42,246	-	186,395	(851)	185,544
- internal	-	-	-	-	-	-	-	-	(32,980)	(32,980)	-	(32,980)
Other gains/(loss)	2,992	170	18	1,300	11,752	70	140	16,685	(665)	32,462	7	32,469
- external	2,992	170	18	1,300	11,752	70	140	16,685	-	33,127	7	33,134
- internal	-	-	-	-	-	-	-	-	(665)	(665)	-	(665)
Total expenses	(321,004)	(18,731)	(181,155)	(91,267)	(185,298)	(45,149)	(17,778)	(214,887)	1,948	(1,073,321)	(14,633)	(1,087,954)
Profit before income tax	182,264	12,293	111,532	8,305	4,923	44,834	3,777	91,475	(32,951)	426,452	(15,225)	411,227
Total assets	12,307,555	1,284,334	333,337	87,021	6,088,969	2,794,788	919,896	18,130,660	(1,928,229)	40,018,331	20,857	40,039,188
Total liabilities	11,824,731	839,293	6,766	78,716	5,965,492	1,346,618	501,511	11,007,800	(116,570)	31,454,357	8,348	31,462,705

45 FINANCIAL RISK MANAGEMENT

45.1 Overview

The Group's risk management objective is to maintain an appropriate balance between risks and rewards, and reduce the negative impact on the operating results of the Group, so as to maximise the shareholders' value. The Group's risk management strategy is to identify and analyse a variety of risks to which the Group is exposed to, set an appropriate risk tolerance level, measure and supervise risks in a timely and reliable manner so as to ensure that risks are controlled within acceptable limits.

Financial risks to which the Group is exposed to mainly include: credit risk, market risk and liquidity risk. The Group has adopted risk management policies and procedures to identify and analyse these risks and defined appropriate risk indicators, risk limits, risk policies and internal control procedures, and constantly monitors and manages risks through its IT systems.

The financial risk management framework is structured into four levels consisting of (i) Board and Supervisory Committee; (ii) Risk Control Committee, Audit Committee and Investment Decision Committee; (iii) Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department; and (iv) Business and management departments and branch outlets.

Level 1: Board and Supervisory Committee

The Board is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and setting objectives, limits and delegating authority to relevant administrative departments in the actual performance of risk control activities.

The Supervisory Committee focuses on mitigating the Company's exposure to legal and compliance risks and financial oversight, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect legal rights and interests of the Company and its shareholders.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 Overview (continued)

Level 2: Risk Control Committee, Audit Committee and Investment Decision Committee

Risk Control Committee, Audit Committee and Investment Decision Committee are the second level of the Company's risk control framework, and is responsible for preparing the comprehensive annual report on risk control; reviewing risk control strategies and significant risk control solutions; reviewing judgment criteria for major decisions, significant risks, major events and key business processes and the risk evaluation report for major decision-making; reviewing risk control evaluation report submitted by the Risk Management Department; reviewing the organisational structure and roles and responsibilities for risk control, as well as other matters as delegated by the Board of Directors.

Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department, and Internal Audit Department

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department work together to manage risks.

The Compliance Management (Legal Affairs) Department assists the Chief Compliance Officer to formulate compliance policies and compliance rules and procedures, supports the implementation of compliance policies and procedures, provides recommendations and advice on compliance to the management and business departments, business lines and branch outlets, and monitors compliance with laws and regulations in the Company's business and management activities. It also drives business departments, business lines and the Company's branch outlets to evaluate, develop, revise, update and improve their internal procedures and business processes to reflect changes in the laws, regulations and standards; conducts compliance pre-clearance on internal management rules and procedures, major decisions, new products, new business offerings and major business activities; reports to regulatory authorities on a regular and extraordinary basis, in addition to mitigating legal risks to which the Company and its businesses are exposed to.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 Overview (continued)

Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department, and Internal Audit Department (continued)

Risk Management Department carries out risk control activities in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company's risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in business operations and transactions, and leverages the results to improve the end-to-end risk response process that covers every components of risk control, including policies, identification, assessment and measurement, control, monitoring, reporting and analysis; regularly tests, monitors and evaluates the implementation of risk control rules and procedures across the Company, and when necessary, conducts regular and ad hoc inspections on risk control results, follows up on issues identified and launches reporting procedures where appropriate; and establishes communications and cooperation with respect to risk control with various business lines, business departments, and branch outlets.

Internal Audit Department has overall responsibility for the internal audit function, including organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

Level 4: Business and management departments and branch outlets

The fourth level of risk control is the front-line risk control systems by business and management departments and branch outlets, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management (Legal Affairs) Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating. The Group's credit risks mainly come from financial assets which include bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held for trading, financial assets held under resale agreements, available-for-sale financial assets, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited ("CSDCC"), with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or CSDCC, the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Group invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivables are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 30 June 2017 and 31 December 2016, the Group's collateral asset value is sufficient to mitigate the credit risk in margin financing.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before it settles on behalf of customers, so as to mitigate and manage the credit risk properly.

The Group enters into entrusted lending business as part of the debt investments. Credit risk management approaches over those entrusted loans include project initiation, due diligence, internal assessment, decision-making and post-lending monitoring. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Entrusted loans are approved by the authorised approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks. In order to further constraints the borrowers through the credit rating system of the People's Bank of China, the Group enters into entrusted lending business via the banks with relatively better capability in risk management.

The Group invests in the wealth management products with proper approval process.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Credit risk (continued)

(1) Maximum credit risk exposure

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Refundable deposits	345,164	490,078
Other current assets	552,986	532,742
Entrusted loans	456,277	520,134
Margin accounts receivable	5,555,593	6,119,265
Available-for-sale financial assets		
– Specified assets management scheme	302,149	320,148
– Collective asset management schemes	167,969	218,514
– Targeted asset management schemes	106,400	100,000
– Wealth management	1,101,000	158,000
– Debt Securities	726,718	60,000
– Trust schemes	30,000	–
– Securities lent to clients	13,989	11,860
Financial assets held under resale agreements	11,612,421	5,911,696
Financial assets designed as at fair value through profit or loss		
– Convertible bonds	600,276	493,440
– Investment in unlisted company with fixed income	300,000	–
Financial assets held for trading		
– Debt securities	5,312,877	5,739,835
– Others	219,490	63,803
Clearing settlement funds	2,300,882	3,096,957
Cash held for brokerage clients	7,117,379	7,720,677
Bank balances	1,711,112	4,369,080
Total	38,532,682	35,926,229

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(All amounts in RMB'000 unless otherwise stated)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Credit risk (continued)

(2) Entrusted Loans analysed by economic sector concentrations

	30 June 2017		31 December 2016	
	Gross loan balance (Unaudited)	Percentage	Gross loan balance (Audited)	Percentage
Entrusted Loans				
– Leasing and business services	194,400	40.79%	154,400	28.95%
– Agriculture, forestry, farming, fishing	95,121	19.96%	136,280	25.55%
– Manufacturing	70,398	14.77%	82,450	15.46%
– Wholesale and retail trade	53,918	11.31%	74,599	13.99%
– Real estate	44,775	9.39%	44,775	8.40%
– Others	18,000	3.78%	40,800	7.65%
Total	476,612	100%	533,304	100.00%

(3) Entrusted Loans analysed by geographical sector concentrations

	30 June 2017		31 December 2016	
	Gross loan balance (Unaudited)	Percentage	Gross loan balance (Audited)	Percentage
Entrusted Loans				
– Central	476,612	100%	488,504	91.60%
– Pearl River Delta	–	–	19,800	3.71%
– Western	–	–	15,000	2.81%
– Bohai Rim	–	–	10,000	1.88%
Total	476,612	100%	533,304	100.00%

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Credit risk (continued)

(4) Entrusted Loans analysed by types of collateral

	30 June 2017		31 December 2016	
	Gross loan balance (Unaudited)	Percentage	Gross loan balance (Audited)	Percentage (Audited)
Entrusted Loans				
– Loans secured by monetary assets	182,621	38.32%	209,100	39.21%
– Guaranteed loans	94,816	19.89%	112,029	21.01%
– Loans secured by tangible assets other than monetary assets	199,175	41.79%	212,175	39.78%
Total	476,612	100%	533,304	100.00%

(5) Overdue entrusted loans by period

	3 months to 1 year	1 year to 3 year
30 June 2017 (Unaudited)		
Entrusted Loans		
– Guaranteed loans	7,366	1,000
As a percentage of entrusted loans	1.55%	0.21%
	3 months to 1 year	1 year to 3 year
31 December 2016 (Audited)		
Entrusted Loans		
– Guaranteed loans	6,199	–
As a percentage of entrusted loans	1.16%	–

The above analysis represents the gross amount of loans and advances overdue for more than three months.

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(All amounts in RMB'000 unless otherwise stated)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Credit risk (continued)

(6) Distribution of entrusted loans in terms of credit quality is analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Individually assessed and impaired gross amount	23,238	11,199
Allowances for impairment losses	(15,802)	(7,949)
Subtotal	7,436	3,250
Neither overdue nor impaired		
– Loans secured by monetary assets	167,750	209,175
– Guaranteed loans	86,450	103,830
– Loans secured by tangible assets other than monetary assets	199,175	209,100
Gross amount	453,375	522,105
Collectively assessed allowances for impairment losses	(4,534)	(5,221)
Subtotal	448,841	516,884
Total	456,277	520,134

45.3 Market risk

Summary

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 Market risk (continued)

45.3.1 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 utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through optimizing the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage client in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the interest rate risks for interest-bearing assets and interest-bearing liabilities. A 25 basis points increase or decreases in the relevant interest rates will be applied in the sensitivity analysis as possible reasonable shift, assuming all other variables remain unchanged. A positive result below indicates an increase in net interest income, while a negative result indicates otherwise, and the impact attributable to other investors of the consolidated structured entities is eliminated.

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Net interest income		
Increases by 25 bps	11,566	15,130
Decreases by 25 bps	(11,566)	(15,130)

When conducting interest rate sensitivity analysis, the Group makes the following general assumptions in determining commercial terms and financial parameters:

- Different interest-earning assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- All assets and liabilities are repriced in the middle of the relevant period;
- Analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;
- Impact of interest rate changes on customer behaviors not considered;
- Impact of interest rate changes on market prices not considered;
- Interest rate of demand deposits moving in the same direction and extent;
- Necessary measures that may be adopted by the Group in response to interest rate changes not considered.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 Market risk (continued)

45.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

As at 30 June 2017, the foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that its currency risk is not material.

45.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, derivatives and collective asset management schemes whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manages price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 Market risk (continued)

45.3.3 Price risk (continued)

Sensitivity analysis

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, funds, convertible bonds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Profit before income tax		
Increase by 10%	160,951	85,811
Decrease by 10%	(160,951)	(85,811)
Other comprehensive income before income tax		
Increase by 10%	54,368	164,090
Decrease by 10%	(54,368)	(164,090)

45.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, early redemptions of exchange-quoted bond repurchase products by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or an overly high ratio of long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be subject to penalties by the regulatory authorities in the form of restrictions on the Group's business operations, which would cause adverse impact on the Group's operations and reputation.

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.4 Liquidity risk (continued)

The Group manages and controls their funds in a centralised manner. Through early warnings and focusing on individually large amounts of funds, the Group achieves the objective of centralised control and management of liquidity risk. By striking an appropriate balance between safety, liquidity and profitability, the Group adjusts and allocates asset sizes and structural provisions, so as to establish a multi-level liquidity reserve system and achieve liquidity risk management objectives by leveraging money market and capital market transactions in a timely manner.

The Group prepares funding plans and reports their implementation to the management to update the liquidity position periodically.

Surplus cash held by the operating outlets over and above balance required for working capital management are transferred to the Group. The Group invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

As at 30 June 2017, the Group holds cash and cash equivalents of approximately RMB1,811 million that are expected to readily generate cash flows for managing liquidity risk (31 December 2016: RMB4,643 million). In addition, the Group holds financial assets held for trading of RMB6,563 million as at 30 June 2017, which could be readily realised to provide a further source of cash if the need arose (31 December 2016: RMB7,522 million). Further the Group holds cash held for brokerage clients of RMB7,125 million, client's clearing settlement funds of RMB2,301 million, which could be used to settle the Group's account payable to brokerage clients whenever needed (31 December 2016: RMB7,721 million and RMB3,097 million respectively).

The tables below present the cash flows payable by the Group for non-derivative financial liabilities by remaining contractual maturities as at 30 June 2017 and 31 December 2016. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

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(All amounts in RMB'000 unless otherwise stated)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

45.4 Liquidity risk (continued)

	On demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	Total
(Unaudited)						
As at 30 June 2017						
Short-term notes payable	-	8,377	255,659	-	-	264,036
Bonds payable	-	-	-	247,500	5,747,500	5,995,000
Financial assets sold under repurchase agreements	-	10,761,911	-	303,040	-	11,064,951
Due to other financial institutions	-	852,212	-	-	-	852,212
Derivative financial liabilities	557	-	-	-	-	557
Accounts payable to brokerage clients	9,284,559	-	-	-	-	9,284,559
Bank loans	-	-	413,074	691,629	57,228	1,161,931
Financial liabilities designated at fair value through profit or loss	-	-	27,165	127,262	279,379	433,806
Financial liabilities held for trading	-	666,778	-	-	-	666,778
Other current liabilities	533,034	-	-	-	-	533,034
Total	9,818,150	12,289,278	695,898	1,369,431	6,084,107	30,256,864
	On demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	Total
(Audited)						
As at 31 December 2016						
Short-term notes payable	-	10,066	-	448,132	-	458,198
Bonds payable	-	-	1,409,873	2,035,178	6,047,060	9,492,111
Financial assets sold under repurchase agreements	-	4,774,106	849,697	-	-	5,623,803
Due to other financial institutions	-	402,034	-	-	-	402,034
Derivative financial liabilities	132	-	-	-	-	132
Accounts payable to brokerage clients	860,277	9,507,813	-	-	-	10,368,090
Bank loans	-	-	304,555	361,934	58,982	725,471
Financial liabilities designated at fair value through profit or loss	-	26,111	56,735	863,439	281,960	1,228,245
Other current liabilities	732,965	-	-	-	-	732,965
Total	1,593,374	14,720,130	2,620,860	3,708,683	6,388,002	29,031,049

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

46.1 Financial instruments not measured at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statements of financial position approximate their fair values.

For financial instruments with a short maturity, including cash and bank balances, cash held for brokerage clients, clearing settlement funds, margin accounts receivable, financial assets held under resale agreements, due to other financial institutions and accounts payable to brokerage clients, their fair value approximate their carrying amounts.

The aggregate fair value of bond payable is calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

In accordance with the related regulations, the Group can put or redeem its refundable deposits with stock exchanges, futures and commodities exchanges and CSF. The Group assesses the fair value of refundable deposits approximates the carrying amount.

46.2 Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of each reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2017 and 31 December 2016.

	Level 1	Level 2	Level 3	Total
(Unaudited)				
As at 30 June 2017				
Financial assets held for trading				
– Equity securities	440,603	417,294	–	857,897
– Debt securities	1,012,229	4,300,648	–	5,312,877
– Investment funds	152,104	–	–	152,104
– Others	–	239,959	–	239,959
Available-for-sale financial assets				
– Equity securities	265,821	175,486	–	441,307
– Debts securities	666,718	60,000	–	726,718
– Investment funds	15,292	14,165	34,471	63,928
– Collective asset management schemes	–	53,351	153,066	206,417
– Targeted asset management schemes	–	106,400	–	106,400
– Specified asset management schemes	–	302,149	–	302,149
– Wealth management products	–	–	1,101,000	1,101,000
– Trust schemes	–	–	30,000	30,000
Financial assets designed as at fair value through profit or loss				
– Convertible bonds	–	–	600,276	600,276
– Investment funds	–	–	128,428	128,428
– Investment in unlisted company with fixed income	–	–	300,000	300,000
Total	2,552,767	5,669,452	2,347,241	10,569,460
Derivative financial liabilities	(557)	–	–	(557)
Financial liabilities hold for trading	–	(666,320)	–	(666,320)
Financial liabilities designated as at fair value through profit or loss	–	–	(430,351)	(430,351)
Total	(557)	(666,320)	(430,351)	(1,097,228)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

	Level 1	Level 2	Level 3	Total
(Audited)				
As at 31 December 2016				
Financial assets held for trading				
– Equity securities	341,913	480,998	–	822,911
– Debt securities	1,702,187	4,037,648	–	5,739,835
– Investment funds	863,728	–	–	863,728
– Others	–	95,803	–	95,803
Available-for-sale financial assets				
– Equity securities	98,733	153,508	–	252,241
– Debt securities	–	60,000	–	60,000
– Investment funds	13,825	14,182	–	28,007
– Collective asset management schemes	–	92,097	180,203	272,300
– Targeted asset management schemes	–	100,000	–	100,000
– Specified asset management schemes	–	320,149	–	320,149
– Wealth management products	–	–	158,000	158,000
– Others	–	1,334,560	–	1,334,560
Financial assets designed as at fair value through profit or loss				
	–	–	514,819	514,819
Total	3,020,386	6,688,945	853,022	10,562,353
Derivative liabilities				
	(132)	–	–	(132)
Financial liabilities designated as at fair value through profit or loss				
	–	–	(1,208,177)	(1,208,177)
Total	(132)	–	(1,208,177)	(1,208,309)

For the six months ended 30 June 2017 and the year ended 31 December 2016, there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy of the Group.

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily securities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange classified as trading securities or available-for-sale.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(c) Valuation methods for specific investments

As at 30 June 2017 and 31 December 2016, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value. For restricted shares that are acquired during an initial public offering or an additional offering, fair values are determined using valuation techniques.

For National Equities Exchange and Quotations listed equity securities, the fair value is determined based on the closing price as at the reporting date and adjusted by the valuation techniques due to the low transaction frequency. The adjustment is based on the potential maximum losses that could occur at a given level of confidence due to variation in interest rates, stock prices and exchange rates over a certain period, which are all observable.

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

(c) Valuation methods for specific investments (continued)

- (2) For closed-end investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-ended funds and collective asset management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges which include government bonds, corporate bonds, convertible bonds and financial bonds, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statement of financial position. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value.
- (4) For debt securities traded through the inter-bank bond market and the over-the-counter (“OTC”) market, including government bonds, corporate bonds, commercial papers, special financial bills, central bank bills, and other fixed income debt securities, fair values are determined using valuation techniques.

(d) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2017 and for the year ended 31 December 2016.

	Available-for-sale financial assets (Unaudited)
Balance at 1 January 2017	338,203
Increase	1,223,359
Decrease	(243,025)
Balance at 30 June 2017	1,318,537
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under “Net investment gains”	6,387
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	3,140

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Available-for-sale financial assets (Audited)
Balance at 1 January 2016	530,743
Increase	320,887
Decrease	(513,427)
Balance at 31 December 2016	338,203
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Net investment gains"	1,151
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	(1,093)
	Financial assets designed as at fair value through profit or loss (Unaudited)
Balance at 1 January 2017	514,819
Increase	537,366
Decrease	(23,481)
Balance at 30 June 2017	1,028,704
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Net investment gains"	18,412
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	1,046

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Financial assets designed as at fair value through profit or loss (Audited)	Financial liabilities designated as at fair value through profit or loss (Unaudited)
Balance at 1 January 2016	–	
Increase	514,819	
Decrease	–	
Balance at 31 December 2016	514,819	
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Net investment gains"	17,988	
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	27,078	
Balance at 1 January 2017	1,208,177	
Consolidation of SEs	34,876	
Losses recognised in profit or loss	(6,647)	
Purchase	260	
Settlements	(806,315)	
Balance at 30 June 2017	430,351	
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under "Net investment gains"	(6,647)	
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the period	(6,647)	

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

	Financial liabilities designated at fair value through profit or loss (Audited)
Balance at 1 January 2016	1,144,170
Consolidation of SEs	33,600
Losses recognised in profit or loss	(13,466)
Purchase	42,103
Settlements	1,770
<u>Balance at 31 December 2016</u>	<u>1,208,177</u>
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Net investment gains"	<u>(13,466)</u>
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	<u>(13,466)</u>

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value
Trust schemes	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value
Private convertible bonds	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level Option pricing model 	<ul style="list-style-type: none"> Expected future cash flows Expected recovery date Discount rates that correspond to the expected risk level Stock price volatility 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the maturity date, the higher the fair value The lower the discount rate, the higher the fair value The higher the stock price volatility, the higher the fair value

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

46.2 Financial instruments measured at fair value (continued)

(d) Financial instruments in Level 3 (continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial liabilities designated at fair value through profit or loss	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level 	<ul style="list-style-type: none"> Expected future cash flows Expected payment date Discount rates that correspond to the expected risk level 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value The earlier the payment date, the higher the fair value The lower the discount rate, the higher the fair value

47 MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group as at 30 June 2017 and 31 December 2016 based on the remaining contractual maturity is as follows:

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
(Unaudited)					
As at 30 June 2017					
Assets					
Margin accounts receivable	-	5,555,593	-	-	5,555,593
Entrusted loans	-	431,527	24,750	-	456,277
Financial assets held under resale agreements	-	10,681,828	930,593	-	11,612,421
Financial assets held for trading					
– Debt securities	-	2,750,681	1,634,255	927,941	5,312,877
Clearing settlement funds	2,300,882	-	-	-	2,300,882
Cash held for brokerage clients	7,117,379	-	-	-	7,117,379
Cash and bank balances	1,601,689	110,000	-	-	1,711,689
Total	11,019,950	19,529,629	2,589,598	927,941	34,067,118

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

47 MATURITY PROFILE OF ASSETS AND LIABILITIES (CONTINUED)

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
Liabilities					
Short-term notes payable	-	260,970	-	-	260,970
Bonds payable	-	-	5,495,256	-	5,495,256
Bank loans	-	1,088,011	53,683	-	1,141,694
Derivative financial liabilities	557	-	-	-	557
Financial liabilities held for trading	-	666,320	-	-	666,320
Due to other financial institutions	-	850,000	-	-	850,000
Financial assets sold under repurchase agreements	-	11,047,854	-	-	11,047,854
Accounts payable to brokerage clients	9,284,559	-	-	-	9,284,559
Total	9,285,116	13,913,155	5,548,939	-	28,747,210

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
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(Audited)

As at 31 December 2016

Assets

Margin accounts receivable	-	6,119,265	-	-	6,119,265
Entrusted loans	-	495,384	24,750	-	520,134
Financial assets held under resale agreements	-	5,234,992	676,704	-	5,911,696
Financial assets held for trading					
– Debt securities	-	2,046,283	1,315,745	2,377,807	5,739,835
Clearing settlement funds	3,096,957	-	-	-	3,096,957
Cash held for brokerage clients	7,720,677	-	-	-	7,720,677
Cash and bank balances	4,089,739	280,000	-	-	4,369,739
Total	14,907,373	14,175,924	2,017,199	2,377,807	33,478,303

Liabilities

Short-term notes payable	-	410,000	-	-	410,000
Bonds payable	-	3,400,000	5,494,054	-	8,894,054
Bank loans	-	661,119	55,327	-	716,446
Derivative financial liabilities	132	-	-	-	132
Financial assets sold under repurchase agreements	-	5,607,979	-	-	5,607,979
Accounts payable to brokerage clients	10,368,090	-	-	-	10,368,090
Total	10,368,222	10,079,098	5,549,381	-	25,996,701

48 UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Group mainly include collective and targeted asset management schemes, trust schemes, wealth management products and investment funds.

Except for the consolidated structured entities, in the opinion of the directors of the Company, the variable returns of the other structured entities of the Group are not significant. The Group did not consider itself acting as principal and consequently did not consolidate these other structured entities.

The total assets of unconsolidated collective and targeted asset management schemes managed by the Group amounted to RMB15,949 million and RMB10,968 million as at 30 June 2017 and 31 December 2016 respectively. For the unconsolidated trust schemes, wealth management products and investment funds invested by the Group, there is no available public information on the size of those structured entities which are operated and managed by third parties.

As at 30 June 2017, the interests in unconsolidated structured entities held by the Group included investments classified as available-for-sale financial assets, and financial assets held for trading, and 2 amount and the maximum exposure were as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Available-for-sale financial assets	676,704	769,455
Financial assets held for trading	152,103	885,106
Other current assets	34,752	31,480
Total	863,559	1,686,041

For the six months ended 30 June 2017, the income derived from these unconsolidated structured entities held by the Group was as follows:

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Net investment gains	816	32,983
Fee and commission income	32,442	25,516
Total	33,258	58,499

As at 30 June 2017, the Group did not provide, nor intend to provide, any financial support to these unconsolidated structured entities.

49 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

49.1 Capital injection

On 20 July 2017 and 11 August 2017, the Company increased capital contribution to Central China Blue Ocean Investment Management Company Limited ("CCBO"), a wholly owned subsidiary registered in Zhengzhou by RMB455 million in total.

49.2 The establishment of Henan Asset Management Company Limited

On 12 July 2017, the Board of Directors of the Company resolved to establish Henan Asset Management Company Limited ("Henan AMC") together with other entities. The Company contributes RMB500 million for a 10% equity interest and voting rights. Henan AMC is registered in Zhengzhou, and its principal activity is asset management business. The Company accounts for its interest in Henan AMC as an associate.

On 2 August 2017, the Board of Directors of the Company resolved to have CCBO as the direct equity owner of Henan AMC. On 3 August 2017, Central China Blue Ocean entered into a capital contribution agreement with other capital contributors.

49.3 Commitments

On 12 July 2017, the Board of Directors of the Company resolved to provide a financing guarantee of no more than RMB100 million to Yuxin Investment Management (Shanghai) Co., Ltd., a subsidiary of the Company registered in Zhengzhou.

49.4 Issuance of subordinated bond

On 26 July 2017, the Company issued RMB1.50 billion three-year subordinated bonds, paying annual interest rate at 5.15%.

49.5 Interim dividend

On 24 August 2017, the Board of Directors of the Company proposed the 2017 interim dividend of RMB0.73 per ten shares (inclusive of tax), amounting to RMB286,432,633 in total. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting.