

2015

Interim Report



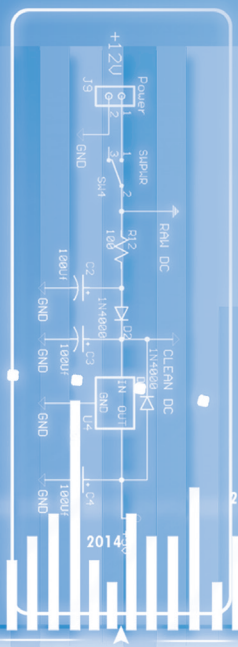
海通证券股份有限公司
HAITONG SECURITIES CO., LTD.*

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

Stock Code: 6837

**For identification purpose only*

CONTENTS



Important Notice	02
Section I Definition	03
Section II Company Profile	05
Section III Summary of Accounting Data and Financial Indicators	09
Section IV Report of the Board of Directors	12
Section V Significant Events	50
Section VI Changes in Share and Particulars about Shareholders	60
Section VII Preferred Shares	67
Section VIII Particulars about Directors, Supervisors, Senior Management and Employees	68
Section IX Financial Report	73
Section X Documents Available for Inspection	74
Section XI Information Disclosure of Securities Company	75

IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company represent and warrant that the contents of this interim report (this "Report") are true, accurate and complete, and do not contain any false records, misleading statements or material omission and severally and jointly take full responsibility as to the contents herein.

This Report was passed at the eleventh meeting of the sixth session of the Board and the sixth meeting of the sixth session of the Supervisory Committee. Director Lyu Changjiang, was unable to attend the Board meeting in person due to business travel and had appointed Director Xiao Suining to vote on his behalf. None of the Directors or Supervisors has any objection to this Report.

The 2015 interim financial report of the Company was prepared in accordance with the IFRS and was reviewed by Deloitte Touche Tohmatsu. All the financial data in this Report were presented in RMB unless otherwise indicated.

Mr. Wang Kaiguo, Chairman of the Company, Mr. Li Chuqian, Chief Financial Officer, and Ms. Qiu Xiaping, who is responsible for the accounting affairs, declare that they represent and warrant the truthfulness, accuracy and completeness of the financial report contained in this Report.

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2015.

Forward-looking statements included in this Report, including future plans and development strategies, do not constitute commitment of the Company to investors. Investors should be reminded of the risks of investment.

No appropriation of funds on a non-recurring basis by the Company's controlling shareholders, if any, or their respective related parties has occurred.

The Company did not provide external guarantees which were in violation of stipulated decision-making procedures.

Section I DEFINITION

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

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of Haitong Securities
“Board”	the board of Directors of Haitong Securities
“CG Code”	The Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this Report, Hong Kong, the Special Administrative Region of Macau and Taiwan
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of Haitong Securities
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“HK\$”, “HKD” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Special Administrative Region of Hong Kong, the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“IFRS”	the International Financial Reporting Standards
“IPO”	initial public offering

Section I DEFINITION

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NSSF”	the National Council for Social Security Fund of the PRC
“PRC GAAP”	generally accepted accounting principles in the PRC
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	the 6-month period from 1 January 2015 to 30 June 2015
“RMB” or “Renminbi”	the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Supervisor(s)”	the supervisor(s) of Haitong Securities
“Supervisory Committee”	the supervisory committee of Haitong Securities

Section II COMPANY PROFILE

I. Corporate Information

Chinese name of the Company:	海通證券股份有限公司
Chinese abbreviation of the Company:	海通證券
English name of the Company:	Haitong Securities Co., Ltd.
English abbreviation of the Company:	Haitong Securities
Legal representative of the Company:	Wang Kaiguo
General manager of the Company:	Qu Qiuping
Authorized representatives of the Company:	Wang Kaiguo, Huang Zhenghong
Joint company secretaries:	Huang Zhenghong, Chau Kwok Ming

II. Board Secretary: Huang Zhenghong

Correspondence address: 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Tel: 8621-23219000

Fax: 8621-63410627

E-mail: huangzh@htsec.com

III. Representative of Securities Affairs: Sun Tao

Correspondence address: 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Tel: 8621-23219000

Fax: 8621-63410627

E-mail: sunt@htsec.com

IV. Company Addresses

Registered address: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Business address: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
(Postal Code: 200001)

Internet website: <http://www.htsec.com>

E-mail: haitong@htsec.com

V. Principal Place of Business in Hong Kong: 21st Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong

VI. Information Disclosure and Place of Inspection

Newspapers for information disclosure: China Securities Journal, Shanghai Securities News, Securities Times

Website designated by CSRC for publication of periodic reports: <http://www.sse.com.cn>

Website designated by the Hong Kong Stock Exchange for publication of periodic reports:
<http://www.hkexnews.hk>

Place where periodic reports of the Company are available: Office of the Board, 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC

Search index for changes in registration during the Reporting Period: <http://www.sse.com.cn>

Section II COMPANY PROFILE

VII. Places of Listing, Stock Names and Codes

A Share: Shanghai Stock Exchange	Stock name: Haitong Securities	Stock code: 600837
H Share: Hong Kong Stock Exchange	Stock name: Haitong Securities	Stock code: 6837

VIII. Changes in Registration of the Company during the Reporting Period

Date of the Company's registration: 3 February 2015

Registered address of the Company: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC

Details of changes: On 3 February 2015, "stock options market making business" was added to the scope of business of the Company.

IX. Registered Capital and Net Capital

	As at the end of this Reporting Period	As at the end of last year
Registered capital	9,584,721,180.00	9,584,721,180.00
Net capital	91,712,002,790.46	37,110,256,311.66

Note: Upon the completion of issue of new H Shares by the Company on 29 May 2015, the total number of shares of the Company increased from 9,584,721,180 to 11,501,700,000, and the registered capital of the Company will increase to RMB11,501,700,000.00. The Company is currently undergoing registration formalities of changes with the relevant administration for industry and commerce.

X. Each Individual Business Qualification of the Company

1. Online securities entrustment business qualification (Zheng Jian Xin Xi Zi [2001] No. 3)
2. Qualification for lending and purchase of bonds, bond transactions and bond repurchase business in the national inter-bank lending market and the bond market (Yin Ban Han [2001] No. 819)
3. Qualification for lending transactions and bond transactions in the national inter-bank lending center (Zhong Hui Jiao Fa [2001] No. 306)
4. Internet information service qualification (Hu ICP Zheng 020694)
5. Qualification for acquisition of securities business departments (Hu Zheng Ji Bian [2002] No. 090)
6. Open-end securities investment fund consignment business qualification (Zheng Jian Ji Jin [2002] No. 076)
7. Qualification for foreign exchange operation in the securities business (SC201014)
8. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han [2005] No. 079)
9. Qualification for agent of share transfer business (Z-007)
10. Qualification for short-term commercial paper underwriting business (Yin Fa [2005] No. 173)
11. Qualification for quotation transfer business (Zhong Zheng Xie Han [2006] No. 3)
12. Trader Qualification for Shanghai Stock Exchange Fixed Income Securities Consolidated Electric Trading Platform (Shang Zheng Hui Han [2007] No. 86)
13. Qualification for Association of PRC Inter-bank Market Trader (August 2007)
14. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
15. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
16. Qualification for provision of intermediary introduction business for the futures companies (Zheng Jian Xu Ke [2008] No. 479, Hu Zheng Jian Ji Gou Zi [2010] No. 122)

Section II COMPANY PROFILE

17. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
18. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
19. Qualification of Providing Trading Units for Insurance Agency Investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
20. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)
21. Qualification of Engaging of Stock Index Futures Hedging Business through Proprietary Trading of the Company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
22. Qualification for Securities House Assigned by NSSF (August 2011)
23. Qualification for Fund Evaluation Business (Zhong Zheng Xie Fa [2010] No. 070)
24. Qualification of Engaging of Stock Index Futures through Asset Management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
25. Stock repo transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi [2011] No. 37)
26. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821)
27. Trial business of bond collateralized repo with quotes (Ji Gou Bu Bu Han [2011] No. 585)
28. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
29. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
30. Pilot Qualification of Engaging of Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 113)
31. Pilot Qualification of Underwriting of Private Debts for SMEs (Zhong Zheng Xie Han [2012] No. 561)
32. Qualification for foreign exchange operation in the securities business (SC201307)
33. Qualification for issuance of short-term financing bonds (Ji Gou Bu Bu Han [2013] No. 407, Department of Fund and Intermediary Supervision Han [2014] No. 1551)
34. Qualification for Distribution of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
35. Pilot Qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
36. Qualification for recording military confidential business consultancy services in a secured and confidential condition (certificate number: 00132029)
37. Qualification of the 11th batch of Insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No. 204)
38. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
39. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)
40. Qualification for agency business of securities pledge registration
41. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
42. Membership qualification on the Gold Exchange (Certificate No. T004)
43. Pilot Issuance of Short-term Corporate Bonds by Securities Companies (Shang Zheng Duan Zhai [2014] No. 4)

Section II COMPANY PROFILE

44. Business Pilot of Financing-Oriented Option Exercise with respect to Share Incentive Schemes of Listed Companies (Shenzhen Han [2014] No. 321)
45. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
46. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)
47. Business Qualification for Options Settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
48. Futures Membership Certificate (certificate number: NO. G02008)
49. Qualification for Offshore Proprietary Business (Ji Gou Bu Han [2015] No. 1204)
50. No Comment Letter on Innovative Program of One-way Video Account Opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)

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

XI. Other Relevant Information

(1) Legal Adviser to the Company, as to PRC law: Grandall Law Firm (Shanghai)

Legal Adviser to the Company, as to Hong Kong law: Clifford Chance

(2) Accounting Firm (domestic): BDO China Shu Lun Pan Certified Public Accountants LLP

Address: 4/F, No. 61 Nanjing Road East, Shanghai

Accounting Firm (overseas): Deloitte Touche Tohmatsu

Address: 35/F, One Pacific Place, No.88 Queensway, Hong Kong

(3) A Share Registrar: Shanghai Branch of China Securities Depository and Clearing Corporation Limited

H Share Registrar: Computershare Hong Kong Investor Services Limited

(4) Registration number of corporate business license: 31000000016182

Registration number of tax certificate: 31010113220921X

Organization code: 13220921X

(5) Chief risk executive and general compliance officer: Wang Jianye

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

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

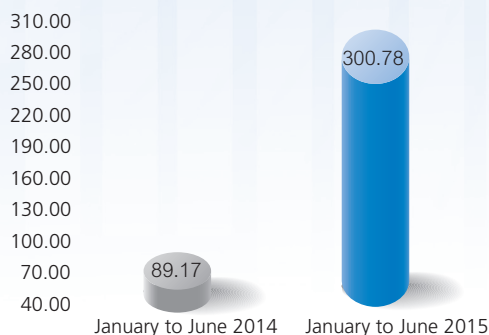
(1) Major accounting data and financial indicators

Items	January to June 2015	January to June 2014	As compared to the last corresponding period
Operating results (RMB'000)			<i>Increase</i>
Revenue and other income	30,077,568	8,917,232	237.30%
Profit before income tax	13,952,861	3,859,718	261.50%
Profit for the period – attributable to owners of the Company	10,154,714	2,877,518	252.90%
Net cash used in operating activities	(48,574,390)	(6,117,957)	–
Earnings per share (RMB/share)			<i>Increase</i>
Basic earnings per share	1.03	0.3	243.33%
Diluted earnings per share	1.02	0.3	240.00%
Index of profitability			<i>Changes</i>
Weighted average returns on net assets (%)	12.97	4.55	8.42 percentage points
Items	30 June 2015	31 December 2014	As compared to the end of the last corresponding period
Indices of size (RMB'000)			<i>Increase</i>
Total assets	629,749,407	352,622,149	78.59%
Total liabilities	518,268,570	280,357,946	84.86%
Accounts payable to brokerage clients	184,614,818	80,766,843	128.58%
Equity attributable to owners of the Company	102,537,939	68,364,431	49.99%
Total share capital ('000)	11,501,700	9,584,721	20.00%
Net assets per share attributable to owners of the Company (RMB/share)	8.92	7.13	<i>Changes</i> 25.11%
Gearing ratio (%) ^(note 1)	74.96	73.42	1.54 percentage points

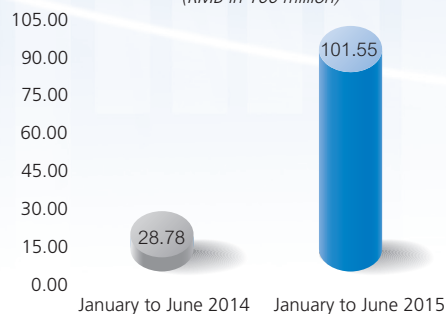
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

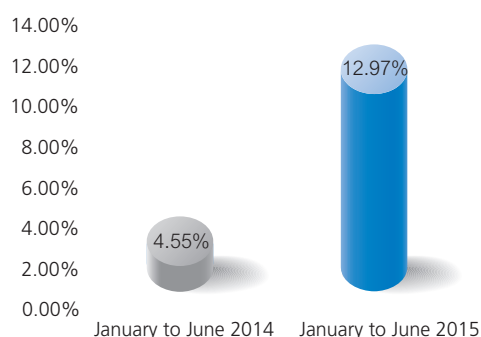
Revenue and other income (RMB in 100 million)



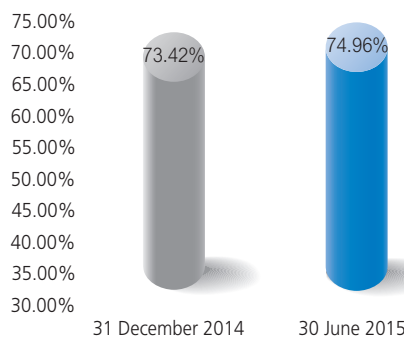
Profit for the period attributable to owners of the Company (RMB in 100 million)



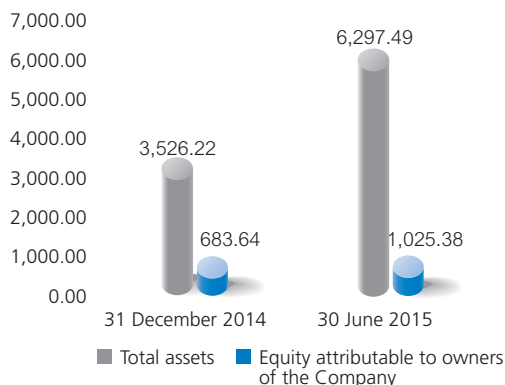
Weighted average returns on net assets



Gearing ratio



Indices of size (RMB in 100 million)



(2) Particulars of major accounting data

The capital market maintained a good development momentum in the first half of 2015. By closely capturing opportunities in the market, as well as focusing on the customers, the Group continued to facilitate the transformation and innovations of businesses and optimize assets allocation. As a result, the operating results of the Group increased significantly compared to the corresponding period last year. The total revenue and other income for the first half year and profit for the period attributable to shareholders of the listed company increased by 237.30% and 252.90% respectively, as compared with the corresponding period last year.

During the first half of 2015, major accounting data and financial indicators of the Group were in sound condition, and the asset is in reasonable structure, and with high liquidity and good quality.

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

II. DIFFERENCES BETWEEN IFRS AND PRC GAAP

The profits for the periods from January to June 2015 and from January to June 2014 and the net assets as at 30 June 2015 and 31 December 2014 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those prepared in accordance with IFRS.

III. THE NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

As at 30 June 2015, the net capital of the Company was RMB91,712 million, representing an increase of RMB54,602 million as compared to the net capital of RMB37,110 million as at the end of the last year. During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Items	30 June 2015 RMB'000	31 December 2014 RMB'000
Net capital	91,712,003	37,110,256
Net assets	96,820,416	65,022,464
Total of risk capital reserves	6,596,186	4,527,501
Net capital/total of risk capital reserves	1,390.38%	819.66%
Net capital/net assets	94.72%	57.07%
Net capital/liabilities	36.70%	26.71%
Net assets/liabilities	38.75%	46.80%
Proprietary equity securities and securities derivatives/net capital	37.26%	61.21%
Proprietary fixed income securities/net capital	27.67%	78.78%

Section IV REPORT OF THE BOARD OF DIRECTORS

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

(I) Overall operations

In the first half of 2015, the Company captured great opportunities from prosperity in the securities market and achieved good operating results. The Company steadily promoted its major tasks. The Company put equal emphasis on capital replenishment and liabilities management and smoothly completed private placement of new H Shares. The Company also adopted a variety of financing methods such as subordinated bonds, short-term corporate bonds, income receipts and debt usufruct transfer, providing sufficient capital assurance for implementation of its material strategic events and rapid development of its various businesses. The Company continued to promote optimization of its organizational structure centering on customers, enabling its organizational structure to be more aligned with the needs of customers in different tiers and different classifications for refined services to accelerate integration of resources within the Group with a view to further enhancing its capability in the cross-border business. The Company sped up promotion of the construction of the "internet plus securities" business platform, optimized functions of the platform and improved customer services through internet to effectively increase customer experience by taking advantage of internet thinking. Preliminary effects have been seen in "internet plus securities". The Company's overseas business recorded a record high and close collaboration of its cross-border business moved up to a new level again. Since the middle of June, de-leveraging accelerated in the market and major stock indices slumped in a short term with centralized explosion of market risks and credit risks, imposing huge challenges on the Company's operations. The Company withstood the test and achieved sound operating results due to its improved risk management system, effective emergency response mechanism and firm execution. For the purpose of maintaining market stability, the Company also proactively launched various stability maintenance measures such as share repurchases to earnestly perform its corporate social responsibility.

Section IV REPORT OF THE BOARD OF DIRECTORS

As at the end of June 2015, the Group's total assets amounted to RMB629,749 million, among which, net assets attributable to shareholders of the listed company amounting to RMB102,538 million. The net capital of the Company amounted to RMB91,712 million. In the first half of 2015, profit of the Group attributable to shareholders of the listed company amounted to RMB10,155 million, and the total revenue and other income amounted to RMB30,078 million, among which, securities and futures brokerage business amounting to RMB15,837 million, representing 52.65%; proprietary trading amounting to RMB5,447 million, representing 18.11%; asset management business amounting to RMB1,718 million, representing 5.71%; investment banking business amounting to RMB955 million, representing 3.17%; direct investment business amounting to RMB278 million, representing 0.92%; overseas business amounting to RMB3,418 million, representing 11.36%; financing lease business amounting to RMB1,281 million, representing 4.26%. The Group's major financial indicators such as total assets, net assets, revenue and profit for the period all hit record highs and its major business indicators ranked top among peers.

Statement of the Principal Business of the Group

Unit: RMB'000

Item	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last corresponding period	Segment expense movement as compared to last corresponding period	Segment profit margin movement as compared to last corresponding period
Securities and futures brokerage business	15,836,543	8,619,667	45.57%	352.18%	245.20%	Increasing by 16.87 percentage points
Proprietary trading	5,447,462	1,944,430	64.31%	257.03%	323.40%	Decreasing by 5.59 percentage points
Asset management business	1,718,023	977,028	43.13%	224.05%	231.66%	Decreasing by 1.34 percentage points
Investment banking business	954,808	302,171	68.35%	41.22%	11.15%	Increasing by 8.56 percentage points
Overseas business	3,417,796	1,538,369	55.82%	279.74%	123.06%	Increasing by 32.22 percentage points
Direct investment business	277,518	35,618	88.21%	44.34%	198.18%	Decreasing by 1.01 percentage points
Financing lease business	1,281,357	909,082	29.05%	79.95%	92.81%	Decreasing by 4.73 percentage points

Section IV REPORT OF THE BOARD OF DIRECTORS

(II) Analysis of Principal Business Lines

1 Each Principal Business of the Company

(1) Securities and futures brokerage business

Retail brokerage business proactively captured historic opportunities from the prosperous development in the market with the number of accounts opened and the market share of equity funds trading volume both hitting record highs. In the first half of 2015, the Company achieved a market share of 5.25% in terms of the trading volume of equity funds. By fully capitalizing on the “internet plus securities” advantage, the Company strengthened building of its marketing team, proactively explored marketing channels and reinforced cooperation with banks, thereby effectively increasing its efforts on expanding retail customers. The Company also stepped up its efforts on expanding corporate customers through the comprehensive financial services such as provision of financing, block trading and market value management. Therefore, the number of corporate customers and individual customers with high net worth steadily grew.

Institutional business grew steadily. In the first half of the year, the Company’s market share in terms of divided commissions for publicly raised funds increased as compared to that of last year. The Company energetically expanded customers of private equity institutions through the MOM business. The Company strengthened building of the system in relation to the prime brokerage (PB) business to improve the quality and efficiency of custody and valuation services of financial institutions. The scale of products under custody continued to grow.

Financing business developed rapidly. As at the end of June 2015, the size of financing business (margin financing and securities lending, stock pledge and stock repo) amounted to RMB182.9 billion (including stock pledge business where Shanghai Haitong Securities Asset Management Company Limited acted as funding party), representing an increase of RMB89.6 billion (or 96%) as compared to the end of last year.

Futures business remained leading the industry. The agency trading amounts of Haitong Futures amounted to RMB21 trillion, representing an increase of 184% as compared to the same period of last year; customer interests amounted to RMB19.7 billion, representing an increase of 71% as compared to the end of last year.

In the first half of 2015, securities and futures brokerage business achieved a total profit of RMB7,217 million, accounting for 51.7% of that of the Group.

Section IV REPORT OF THE BOARD OF DIRECTORS

(2) *Investment banking business*

By capitalizing on the market boom, the Company captured market shares in the businesses such as equity financing, debt financing, M&A financing and market making on the New OTC Board and achieved good results.

The Company completed 20 equity financing projects as a lead underwriter with an underwritten amount of RMB23.7 billion, representing an increase of 76% as compared to the same period of last year, and a market share of 3.58%, ranking the fourth and eighth respectively in terms of underwritten amounts and number of projects in the industry (data from Wind Info).

The Company completed 17 debt financing projects as a lead underwriter with an underwritten amount of RMB62.8 billion, representing an increase of 103% as compared to the same period of last year, and a market share of 5.71%, ranking the fifth and tenth respectively in terms of underwritten amounts and number of projects in the industry (data from Wind Info).

The Company recorded a transaction amount of RMB65.8 billion for its M&A financing business with a market share of 5.5%. The Company has successfully completed the projects as a financial adviser of backdoor listing of Greenland Group through the shell of Jinfeng Investment and privatization of SNDA.

In the first half of 2015, investment banking business achieved a total profit of RMB653 million, accounting for 4.7% of that of the Group.

Section IV REPORT OF THE BOARD OF DIRECTORS

(3) *Proprietary trading business*

In respect of the investment business, the Company made reasonable funds allocations and strategy applications by capturing market trends, thus achieved better returns. In terms of equity investments, the Company strictly controlled market risks with less profit drawdown. The Company accelerated market neutral strategy developments and rapidly expanded return swap and over-the-counter option business by capitalizing on arbitrage opportunities. In terms of fixed income investments, the Company proactively carried out new businesses such as gold leasing, treasury bond futures arbitrage and cross-border investments to expand revenue sources. The Company actively established alternative investment business in new areas and explored new business models, laying the foundations for sustainable development of business.

In the first half of 2015, proprietary trading business achieved a total profit of RMB3,503 million, accounting for 25.1% of that of the Group.

(4) *Asset management business*

In the first half of 2015, the Group maintained a sound development momentum for various segments of its asset management business with its management scale hitting a record high. As of the end of June 2015, the total scale of management reached RMB955.3 billion, representing an increase of 55% as compared to the end of last year.

The management scale of Shanghai Haitong Securities Asset Management Company Limited was RMB394.6 billion, representing an increase of 34% as compared to the end of last year, with a market share of 3.9%, among which, the scale of collective management plans reached RMB53.7 billion, representing an increase of 115% as compared to the end of last year.

The fund management scale of Fullgoal Fund Management was RMB365.9 billion, representing an increase of 110% as compared to the end of last year, of which, the publicly raised fund management scale was RMB265.7 billion (representing an increase of 179% as compared to the end of last year). The long-term asset management scale at comparable terms was RMB259.8 billion. The index fund scale was RMB153.7 billion.

The fund management scale of HFT Investment Management was RMB140.9 billion, representing an increase of 32% as compared to the end of last year, of which, the publicly raised fund management scale was RMB45.6 billion (representing an increase of 51% as compared to the end of last year).

Section IV REPORT OF THE BOARD OF DIRECTORS

Various industrial investment funds recorded an increased investment amount of RMB3.3 billion and increased proceeds raised externally of RMB3.9 billion with a total scale of assets under management amounting to RMB24 billion, representing an increase of 30% as compared to the end of last year.

In the first half of 2015, asset management business achieved a total profit of RMB741 million, accounting for 5.3% of that of the Group.

(5) *Direct investment business*

Haitong Capital Investment newly added 19 investment projects in the first half of 2015, with an increased investment amount of RMB1.18 billion and 3 additional investment projects exited.

In the first half of 2015, direct investment business achieved a total profit of RMB245 million, accounting for 1.8% of that of the Group.

(6) *Financing lease business*

In the first half of 2015, Haitong UT Capital achieved leasing sales of RMB7.06 billion. Through proactively expanding its financing channels, it completed banking facilities of RMB19.5 billion for 2015, and completed the issue of the first phase of asset securitization project which raised proceeds of RMB1.36 billion. It also issued RMB dim sum bonds of RMB1 billion, and obtained a domestic rating of AA+.

In the first half of 2015, financing lease business achieved a total profit of RMB372 million, accounting for 2.7% of that of the Group.

(7) *Overseas business*

In the first half of 2015, Haitong International Securities achieved an income of HKD4.14 billion from various business lines, representing an increase of 284% as compared to the same period of last year, and net profit of HKD2.12 billion, representing an increase of 504% as compared to the same period of last year. Its total assets amounted to HKD80.3 billion, representing an increase of 67% as compared to the end of 2014, and its net assets amounted to HKD21.3 billion, representing an increase of 148% as compared to the end of 2014. Each business line of Haitong International Securities recorded good results. Capturing the market opportunities, Haitong International Securities has provided sufficient funds for the rapid growth of each business line through rights issue. It also flexibly utilised debt financing instruments and expanded its balance sheet. Haitong International Securities has become a leading PRC-funded financial institution in Hong Kong market in terms of total assets and net assets.

In the first half of 2015, overseas business achieved a total profit of RMB1,908 million, accounting for 13.7% of that of the Group.

Section IV REPORT OF THE BOARD OF DIRECTORS

(8) Development of innovative business

The Company proactively promoted equity-typed, interest-typed and cross-border-typed return swap businesses, with the business scale reaching RMB30.7 billion, representing an increase of 93% as compared to the last year. The Company rapidly developed the over-the-counter option business with the scale of nominal principals contracted exceeding RMB100.0 billion.

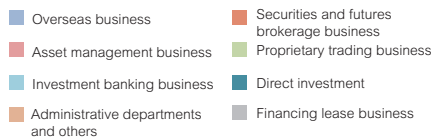
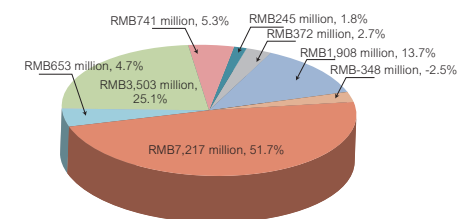
For the over-the-counter market, the Company further implemented product positioning and actively promoted product design and innovation with an accumulative number of 2,275 products issued with an accumulative amount of RMB113.6 billion, becoming an important financing channel of the Company.

By closely following relevant policies, the Company's branch in the free trade zone saw its free trade accounting unit (FTU) business system building enter into the last stage of inspection and acceptance. It proactively carried out overseas financing by taking full advantage of the policy of separate accounting of overseas financing in the free trade zone, providing capital support for development of the cross-border business.

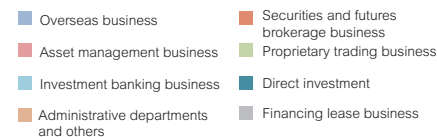
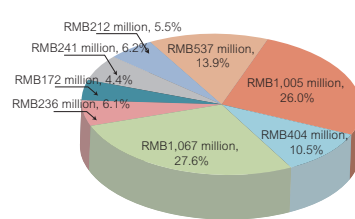
(9) Research business

The Company strengthened the scope and intensity of research business, expanded the coverage area of the clients of research business, and further consolidated the market influence of its research brand. The Company fully utilised its advantage of international network with an expanded international view of research, and formulated integration plan of research business. The integration work of global research resources has been steadily moving forward.

Total profit by segment in the first half of 2015



Total profit by segment in the first half of 2014



Section IV REPORT OF THE BOARD OF DIRECTORS

2 Details of principal line items in the consolidated statement of profit or loss

(1) Revenue and other income

In the first half of 2015, the revenue and other income realized by the Group totaled RMB30,078 million, representing an increase of RMB21,160 million or 237.30% as compared to the same period of last year. It was mainly because the Group achieved good results in its brokerage business and proprietary trading business by capturing the great opportunities from prosperity in the securities market. Meanwhile, the Group fully exerted its capital advantage to further expand the scale of the capital intermediary business, and the revenue from the innovative businesses accounted for a continually increasing percentage. The revenues from the innovative businesses, such as margin financing and securities lending and stock pledge, accounted for 38% in the total revenue, representing an increase of 14 percentage points as compared to the same period of last year, where:

- Commission and fee income amounted to RMB11,385 million, accounting for 37.85% and representing an increase of 243.96% as compared to the same period of last year, mainly because the Group made active market exploration to achieve a significant increase in fee income from the brokerage business, asset management business and overseas business by closely capturing market opportunities as the capital market maintained a good development momentum in the first half of 2015. At the same time, in the first half of 2015, the financing amount of the capital market surged compared to the same period of last year, and the Group proactively developed the investment banking business, leading to an increase in its underwriting and sponsoring income compared as to the same period of last year;
- Interest income amounted to RMB9,013 million, accounting for 29.97% and representing an increase of 183.08% as compared to the same period of last year, mainly because the Group fully exerted its capital advantage and further expanded the scale of the capital intermediary business, and the scale of margin financing and securities lending and Hong Kong margin financing and securities lending and stock pledged repo rose fast. Meanwhile, the Group proactively promoted equity-typed, interest-typed and cross-border-typed return swap businesses, resulting in a sharp increase in its interest income;
- Net investment gains amounted to RMB7,606 million, accounting for 25.29% and representing an increase of 250.00% as compared to the same period of last year, mainly due to the sound gains recorded in its proprietary trading and overseas business investments by proactively capturing opportunities on the prosperous market in the first half of 2015;
- Other income and gains amounted to RMB2,074 million, accounting for 6.89% and representing an increase of 728.74% compared to the same period of last year, mainly due to an increase in the sales from subsidiaries.

Section IV REPORT OF THE BOARD OF DIRECTORS

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

Unit: RMB'000

Items	January to June 2015		January to June 2014		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Commission and fee income	11,384,597	37.85%	3,309,902	37.12%	8,074,695	243.96%
Interest income	9,012,845	29.97%	3,183,907	35.71%	5,828,938	183.08%
Net investment gains	7,606,183	25.29%	2,173,169	24.37%	5,433,014	250.00%
Other income and gains	2,073,943	6.89%	250,254	2.80%	1,823,689	728.74%
Total revenue and other income	30,077,568	100.00%	8,917,232	100.00%	21,160,336	237.30%

(2) Total expenses

In the first half of 2015, total expenses of the Group amounted to RMB16,294 million, representing an increase of 219.83% as compared to the same period of last year, which was mainly due to the increase in interest expenses, staff costs, brokerage transaction fees and other services expenses and other expenses, of which:

- Interest expenses amounted to RMB5,802 million, representing an increase of 250.02% as compared to the last corresponding period, which was mainly due to the issuance of more corporate bonds, subordinated bonds and income receipts while the Group replenished its equity capital to expand the margin financing and securities lending business and to supplement its working capital for a higher market share, which led to an increase in relevant interest expenses;
- Staff costs amounted to RMB3,804 million, representing an increase of 129.26% as compared to the last corresponding period, which was mainly due to an increase in salary resulting from increases in the asset scale and net profit of the Group;
- Brokerage transaction fees and other services expenses amounted to RMB1,610 million, representing an increase of 480.59% as compared to the last corresponding period, which was mainly due to the corresponding increase in expenses from brokerage charges arising from the increase in trading volumes in the first half of 2015;
- Other expenses mainly comprised operating expenditure, business tax and surcharges, as well as impairment loss of assets, etc. Other expenses during the Reporting Period amounted to RMB4,352 million, representing an increase of 267.58% as compared to the last corresponding period, which, apart from the increase in cost of sales of subsidiaries, was mainly due to the increase in business taxes and in various expenses arising from the rising scale of operation.

Section IV REPORT OF THE BOARD OF DIRECTORS

The composition of total expenses of the Group in the first half of 2015 are shown as below:

Total Expenses	January to June 2015	January to June 2014	<i>Unit: RMB'000</i>	
			Increase/Decrease Amount	Percentage
Staff costs	3,803,985	1,659,219	2,144,766	129.26%
Interest expenses	5,801,783	1,657,577	4,144,206	250.02%
Brokerage transaction fees and other services expenses	1,609,779	277,267	1,332,512	480.59%
Commission to account executives	584,405	173,048	411,357	237.71%
Depreciation and amortization	141,937	143,437	-1,500	-1.05%
Other expenses	4,351,649	1,183,859	3,167,790	267.58%
Total	16,293,538	5,094,407	11,199,131	219.83%

3 Public welfare contributions

In the first half of 2015, the Group contributed RMB376,000 in total in public welfare areas like environmental protection projects, disaster relief donations, education subsidies and charity donations.

Breakdown of public welfare contributions from January to June 2015

Item	<i>Unit: RMB'000</i> Amount during the period
Charity donations	356
Others	20
Total	376

Section IV REPORT OF THE BOARD OF DIRECTORS

4 Cash Flows

In the first half of 2015, net increase in the cash and cash equivalents of the Group amounted to RMB54,405 million, of which:

- (1) Net cash used in operating activities was RMB48,574 million, mainly due to the effects of cash outflow of RMB63,281 million arising from the change of working capital of the Group. The major items reduced in the working capital are:
 - The sizes of the loans and advances to customers and financial assets held under resale agreements were further enlarged with an operating cash outflow of RMB93,144 million;
 - The financial assets at fair value through profit or loss increased with an operating cash outflow of RMB9,581 million;
 - The business scale of UT Capital Group was expanded with an operating cash outflow of RMB3,432 million.

The aforesaid cash outflows were partially offset by cash inflow of RMB45,598 million due to the increase of financial assets sold under repurchase agreements.

- (2) Net cash used in investing activities was RMB2,780 million, which was mainly due to the increases in scale of investments such as available-for-sale investments.
- (3) Net cash generated from financing activities was RMB105,760 million, which was mainly attributable to the net cash inflow of RMB25,973 million generated from the private placement of new H Shares by the Company and net cash inflow of RMB79,791 million generated from borrowings raised and the issue of bonds by the Group in the Reporting Period.

Section IV REPORT OF THE BOARD OF DIRECTORS

5 Others

(1) *Details of material changes in the composition or sources of the Company's profits*

During the Reporting Period, there were no material changes in the composition and sources of the Company's profits, therefore, this provision is not applicable.

(2) *Analysis and description of various previous financing and significant asset reorganization events of the Company*

Upon approval by CSRC with the Zheng Jian Xu Ke [2011] No.1821 document, the Company issued overseas listed foreign shares (H Shares) on the Hong Kong Stock Exchange on 27 April 2012. As at 24 May 2012, the Company issued 1,356,900,000 H Shares at the offering price of HK\$10.60 per share. The aggregate application monies of HK\$14.383 billion have been paid up in Hong Kong dollars in cash, and net proceeds after deduction of issuing and listing fees amounted to HK\$13.801 billion. As at 31 December 2014, the proceeds raised from H Shares offering and interests received thereon had been used up.

According to the resolutions considered and approved at the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 held by the Company on 9 February 2015 and upon approval by CSRC with the Reply of Approving Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No.811), the Company issued overseas listed foreign shares (H Shares) on the Hong Kong Stock Exchange in May 2015. As at 29 May 2015, the Company issued approximately 1,917,000,000 overseas listed foreign shares (H Shares) via private placement at the offering price of HK\$17.18 per share. The aggregate application monies of approximately HK\$32.934 billion have been paid up in Hong Kong dollars in cash, and net proceeds after deduction of issuing and listing fees amounted to approximately HK\$32.747 billion. As at 30 June 2015, the uses of the proceeds were in line with those set out in the announcement of the Company dated 21 December 2014, and were in strict compliance with the requirements of use of proceeds.

Section IV REPORT OF THE BOARD OF DIRECTORS

The Proposal Regarding the Issuance of Corporate Bonds and Proposal Regarding the General Mandate to Issue Corporate Bonds were considered and passed at the sixteenth meeting of the fifth session of the Board and the 2012 annual general meeting of the Company held on 26 March 2013 and 27 May 2013, respectively, pursuant to which the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of corporate bonds at their sole discretion. Upon approval by CSRC with the Zheng Jian Xu Ke [2013] No.1220 document on 25 September 2013, the Company was permitted to issue corporate bonds with a total par value of no more than RMB23.0 billion to the public. The corporate bonds were issued in tranches, and the issue timing, size and other terms of each tranche were determined by the Company based on factors such as market conditions. The issue of the first tranche with a size of RMB12.0 billion was completed on 27 November 2013, of which the issue size of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB7.26 billion, RMB2.35 billion and RMB2.39 billion, respectively. The issue of the second tranche with a size of RMB11.0 billion was completed on 16 July 2014, of which the issue size of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB5.65 billion, RMB4.55 billion and RMB0.8 billion, respectively.

The Proposal Regarding the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the sixteenth meeting of the fifth session of the Board and the 2012 annual general meeting of the Company held on 26 March 2013 and 27 May 2013, respectively, pursuant to which the Company was approved to issue other onshore debt financing instruments other than short-term financing bills of securities companies and corporate bonds on a one-off or multiple issuances or multi-tranche issuances basis through public or non-public offerings, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. On 28 October 2014, the Proposal on Issuance of Short-term Corporate Bonds of Securities Companies was considered and approved at the twenty-ninth meeting (extraordinary meeting) of the fifth session of the Board, pursuant to which the chairman and general manager of the Company were authorized to jointly or individually deal with all matters regarding the issuance of short-term corporate bonds of securities companies on behalf of the Company according to the resolutions passed at the general meeting and the authorizations granted by the Board. According to the Circular on Related Matters of Pilot Issue of Short-term Corporate Bonds by Securities Companies

Section IV REPORT OF THE BOARD OF DIRECTORS

(Department of Fund and Intermediary Supervision Bu Han [2014] No.1526) issued by CSRC, the Company was approved to perform the pilot issue of short-term corporate bonds. According to the Notice on Acceptance of Filings of Short-term Corporate Bonds of Securities Companies (Shang Zheng Duan Zhai [2014] No.4, issued on 20 November 2014 and with a validity period of 1 year) issued by the Shanghai Stock Exchange and received by the Company, the issue size of the short-term corporate bonds of securities companies with which the Company has filed the Shanghai Stock Exchange was RMB20.0 billion. During the Reporting Period, the Company completed the issue of one tranche of short-term corporate bonds with a size of RMB8.0 billion on 13 May 2015, the term of which was one year. As at the end of the Reporting Period, the balances of the short-term corporate bonds which were not yet issued by the Company amounted to RMB13.0 billion.

The Proposal Regarding the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the thirty-second meeting (extraordinary meeting) of the fifth session of the Board and the 2015 first extraordinary general meeting and the 2015 first A shareholders'/H shareholders' class meetings of the Company held on 19 December 2014 and 9 February 2015, respectively, pursuant to which the Company was approved to issue other onshore debt financing instruments other than short-term financing bills of securities companies and corporate bonds with an aggregate issue size of no more than 200% of the net asset value of the Company by the end of the preceding period on a one-off or multiple issuances or multi-tranche issuances basis through public or non-public offerings, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. Up to now, the Company has issued two tranches of subordinated bonds with an aggregate size of RMB35.0 billion. The first tranche with an issue size of RMB15.0 billion was issued on 8 April 2015, the term of which was five years and the issuer was entitled to redeem the bonds at the end of the third year. The issue of the second tranche with an issue size of RMB20.0 billion was completed on 12 June 2015, of which type I with an issue size of RMB15.0 billion was for a term of three years and the issuer was entitled to redeem the bonds at the end of the second year; type II with an issue size of RMB5.0 billion was for a term of five years and the issuer was entitled to redeem the bonds at the end of the third year.

Section IV REPORT OF THE BOARD OF DIRECTORS

Type of stocks and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of transaction
Ordinary shares						
H Shares	15 May 2015	HK\$17.18	1,048,141,220 shares	15 May 2015	1,048,141,220 shares	/
H Shares	29 May 2015	HK\$17.18	868,837,600 shares	29 May 2015	868,837,600 shares	/
Convertible corporate bonds, warrant bonds and corporate bonds						
Corporate bonds	25 November 2013	6.05%	RMB7.26 billion	16 December 2013	RMB7.26 billion	25 November 2016
Corporate bonds	25 November 2013	6.15%	RMB2.35 billion	16 December 2013	RMB2.35 billion	25 November 2018
Corporate bonds	25 November 2013	6.18%	RMB2.39 billion	16 December 2013	RMB2.39 billion	25 November 2023
Corporate bonds	14 July 2014	5.25%	RMB5.65 billion	13 August 2014	RMB5.65 billion	14 July 2017
Corporate bonds	14 July 2014	5.45%	RMB4.55 billion	13 August 2014	RMB4.55 billion	14 July 2019
Corporate bonds	14 July 2014	5.85%	RMB0.8 billion	13 August 2014	RMB0.8 billion	14 July 2024
Short-term corporate bonds	2 December 2014	4.65%	RMB5.0 billion	19 December 2014	RMB5.0 billion	2 December 2015
Short-term corporate bonds	22 December 2014	5.85%	RMB2.5 billion	10 March 2015	RMB2.5 billion	22 March 2015
Short-term corporate bonds	13 May 2015	5.00%	RMB8.0 billion	Unlisted	/	12 May 2016
Subordinated bonds	8 April 2015	5.50%	RMB15.0 billion	11 May 2015	RMB15.0 billion	7 April 2020
Subordinated bonds	12 June 2015	5.30%	RMB15.0 billion	Unlisted	/	12 June 2018
Subordinated bonds	12 June 2015	5.38%	RMB5.0 billion	Unlisted	/	12 June 2020

(3) Explanation on progress of business plans

In order to accelerate its transformation, the Company continues to carry out the development strategy of centering on customers, taking intermediary businesses such as brokerage, investment banking and asset management as core businesses, meanwhile, developing capital intermediary business and investment/leasing business as the wings, making the concept of innovation and internationalization as the driving force, enhancing the establishment of its four "pillars", being research, talent, IT and risk management and compliance. Meanwhile, the Company enhances its capabilities in capital and investment management, assets and wealth management, investment banking underwriting and sales pricing, institutional brokerage and sales transaction and online securities services in order to build the Company as a domestic leading and globally influential financial service group with online securities, wealth management securities, SME securities and institutional securities as the core. Benefiting from the prosperous A share market, the Company recorded strong operating results in the first half of 2015. The major financial indicators of the Company all hit record highs, ranking top in the industry. The capital strength of the Company was further enhanced due to the successful private placement of new H Shares and various debts financing. The layout of internationalization strategy progressed steadily and the implementation of the strategy of internet finance was accelerated. The competitiveness of the intermediary business improved significantly with some business segments hitting new highs. Innovative business continued to lead the industry. Overseas business grew rapidly, achieving the best results in history.

Section IV REPORT OF THE BOARD OF DIRECTORS

(III) Analysis on principal components of consolidated statement of financial position

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

As at the end of June 2015, the total assets and the total liabilities of the Group amounted to RMB629,749 million and RMB518,269 million, representing an increase of 78.59% and 84.86% compared with those at the beginning of the year respectively. Among the Group's current assets, the bank balance and cash and clearing settlement funds represented 41.60% of its total assets; financial assets such as financial assets at fair value through profit or loss, available-for-sale investments, loan and receivable investments in total represented 12.44% of its total assets, loans and advances to customers represented 22.65% of its total assets, financial assets held under resale agreements represented 9.51% of its total assets, while property and equipment represented 0.19% of its total assets only. The assets of the Group were in reasonable structure with stronger liquidity.

Major items of the consolidated statement of financial position of the Group are as follows:

	30 June		31 December		Unit: RMB'000	
	2015	Composition	2014	Composition	Increase/Decrease Amount	Percentage
Non-current assets	59,733,583		48,996,084		10,737,499	21.92%
Of which: Finance lease receivables	14,452,973	2.30%	12,826,397	3.64%	1,626,576	12.68%
Available-for-sale investments	9,624,963	1.53%	8,714,786	2.47%	910,177	10.44%
Loan and receivable investments	3,483,416	0.55%	4,470,404	1.27%	(986,988)	-22.08%
Financial assets at fair value through profit or loss	1,606,769	0.26%	1,527,382	0.43%	79,387	5.20%
Investments accounted for using equity method	6,192,141	0.98%	5,686,141	1.61%	506,000	8.90%
Financial assets held under resale agreements	18,478,579	2.93%	10,292,634	2.92%	8,185,945	79.53%
Property and equipment	1,211,596	0.19%	1,210,145	0.34%	1,451	0.12%
Goodwill	2,748,579	0.44%	2,600,616	0.74%	147,963	5.69%
Current assets	570,015,824		303,626,065		266,389,759	87.74%
Of which: Bank balances and cash	233,489,656	37.08%	85,703,611	24.30%	147,786,045	172.44%
Clearing settlement funds	28,458,209	4.52%	14,818,876	4.20%	13,639,333	92.04%
Financial assets at fair value through profit or loss	65,697,211	10.43%	56,273,055	15.96%	9,424,156	16.75%
Loans and advances to customers	142,611,279	22.65%	64,883,359	18.40%	77,727,920	119.80%
Accounts receivable	7,766,900	1.23%	4,384,354	1.24%	3,382,546	77.15%
Financial assets held under resale agreements	59,910,150	9.51%	52,873,455	14.99%	7,036,695	13.31%
Finance lease receivables	8,917,243	1.42%	7,399,072	2.10%	1,518,171	20.52%
Available-for-sale investments	7,347,502	1.17%	3,990,608	1.13%	3,356,894	84.12%
Deposits with exchanges	7,357,794	1.17%	5,495,664	1.56%	1,862,130	33.88%
Loan and receivable investments	5,297,164	0.84%	3,347,033	0.95%	1,950,131	58.26%
Total assets	629,749,407		352,622,149		277,127,258	78.59%

Section IV REPORT OF THE BOARD OF DIRECTORS

	30 June		31 December		Increase/Decrease	
	2015	Composition	2014	Composition	Amount	Percentage
Current liabilities	411,721,184		221,124,256		190,596,928	86.19%
Of which: Accounts payable to brokerage clients	184,614,818	35.62%	80,766,843	28.81%	103,847,975	128.58%
Financial assets sold under repurchase agreements	112,482,245	21.70%	59,807,864	21.33%	52,674,381	88.07%
Borrowings	28,265,151	5.45%	19,807,574	7.07%	8,457,577	42.70%
Placements from banks and other financial institutions	8,480,000	1.64%	14,270,000	5.09%	-5,790,000	-40.57%
Financial liabilities at fair value through profit or loss	20,691,891	3.99%	15,028,545	5.36%	5,663,346	37.68%
Other payables and accruals	14,099,464	2.72%	7,697,576	2.75%	6,401,888	83.17%
Short-term financing bills payable	36,188,505	6.98%	22,926,586	8.18%	13,261,919	57.85%
Bonds payable	4,756,619	0.92%	-	0.00%	4,756,619	100.00%
Net current assets	158,294,640		82,501,809		75,792,831	91.87%
Non-current liabilities	106,547,386		59,233,690		47,313,696	79.88%
Of which: Bonds payable	86,274,567	16.65%	35,775,667	12.76%	50,498,900	141.15%
Long-term borrowings	7,399,389	1.43%	4,537,684	1.62%	2,861,705	63.07%
Financial assets sold under repurchase agreements	7,834,110	1.51%	14,910,000	5.32%	-7,075,890	-47.46%
Total liabilities	518,268,570		280,357,946		237,910,624	84.86%
Total equity	111,480,837		72,264,203		39,216,634	54.27%

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

Non-current assets

As at the end of June 2015, the non-current assets of the Group increased by 21.92% to RMB59,734 million as compared to the beginning of the year, mainly due to the increase in financial assets held under resale agreements such as stock pledge repurchase resulted from the prosperous market in the first half of 2015, the increase in finance lease receivables of UT Capital Group and the increase in long-term investments such as available-for-sale investments held by the Group.

Current assets and liabilities

As at the end of June 2015, the net current assets of the Group was RMB158,295 million, representing an increase of RMB75,793 million or 91.87% as compared to that of RMB82,502 million at the beginning of the year, mainly because the growth of current assets was faster than that of current liabilities.

Section IV REPORT OF THE BOARD OF DIRECTORS

The increase in the current assets of the Group was mainly because: 1) leveraging on the market opportunities, the Company promoted the development of innovative business and capital intermediary business. The business scale of margin financing and securities lending, Hong Kong margin financing and securities lending business and stock pledge repurchase developed in a fast speed. Loans and advances to customers, financial assets at fair value through profit or loss and financial assets held under resale agreements also experienced significant growth; 2) more funds were attracted to the stock market and securities companies due to a prosperous market in the first half of 2015, resulting in a significant increase in bank balances and cash and clearing settlement funds as compared with last year.

The increase in the current liabilities of the Group was mainly due to: 1) a larger increase in accounts payable to brokerage clients due to the rise in the securities market in the first half of 2015; 2) the appropriate increase in financial assets sold under repurchase agreements and “Yi Hai Tong Cai” series of products.

Non-current liabilities

The increase in the non-current liabilities of the Group was mainly due to the issue of subordinated bonds, corporate bonds and enterprise bonds by the Group and the increase in long-term borrowings of UT Capital Group.

Borrowings and bond financing

As at 30 June 2015, the total borrowings and bond financing of the Group amounted to RMB171,364 million. Set out below is the breakdown of borrowings and bond financing of the Group as at the end of June 2015:

	30 June 2015	<i>Unit: RMB'000</i> 31 December 2014
Bonds payable	91,031,186	35,775,667
Borrowings	35,664,540	24,345,258
Short-term financing bills payable	36,188,505	22,926,586
Placements from banks and other financial institutions	8,480,000	14,270,000
Total	171,364,231	97,317,511

Section IV REPORT OF THE BOARD OF DIRECTORS

For the information of interest rate and maturities of borrowings and bonds financing, please refer to notes 31, 32, 33 and 41 set out in the appended Interim Financial Report.

As at 30 June 2015, borrowings, placements from banks and other financial institutions, short-term financing bills payable and bonds due within one year amounted to RMB77,690 million, and the Group's net current assets amounted to RMB158,295 million, which was more than the amount of the interest-bearing liabilities including bonds payable, borrowings and placements from banks and other financial institutions due within one year. Therefore, there was no liquidity risk.

Except for the liabilities disclosed in this Report, as at 30 June 2015, the Group had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

(IV) Explanations on change in the scope of consolidation of the statements

- (1) As compared to the end of last year, the Group added another 13 entities into its scope of consolidation during the Reporting Period, which include two entities newly consolidated by Haitong Capital Investment Co., Ltd., 10 subsidiaries newly consolidated by Haitong International Securities Group Limited and one structured entity newly consolidated.
- (2) During the Reporting Period, the Group excluded five entities from its scope of consolidation, which include one subsidiary deregistered by Haitong International Securities Group Limited, and four structured entities excluded due to loss of control over them.

Section IV REPORT OF THE BOARD OF DIRECTORS

(V) Analysis on core competitiveness

In the process of long-standing business operation, the Company has gradually formed its characteristic core competitiveness which is mainly embodied in:

1. *Leading capital strength in the industry*

The Company has taken the market opportunities and strengthened its capital strength rapidly through several strategic equity financing and bond financing in the past few years. In the first half of 2015, the Company successfully completed the private placement of new H shares and further expanded the size of its debt financing through the issuance of subordinated bonds, short-term corporate bonds, offshore Renminbi denominated bonds, U.S. dollar denominated bonds, income receipts, syndicated loans and bank loans, as a result of which the capital strength of the Company was further strengthened. Sufficient capital has laid a solid foundation for the development of the capital intermediary businesses of the Company.

2. *Excellent comprehensive business platform*

The Company has strong basis in brokerage business, high market influence in investment banking business, rapid development in asset management business, and top market ranking in innovative business. The Company successfully acquired and integrated Taifook Securities in Hong Kong, UT Capital Group and Japaninvest and entered into contract to acquire BESI. The Company has established a comprehensive industry chain of various businesses covering brokerage, investment banking, asset management, futures, PE investment, alternative investment and financing lease, which has formed strong scale effects, cross-selling potential and global service provision capability, and has provided powerful support for its business development.

3. *Online and offline integrated network layout with a substantial and stable customer base*

The Company has speeded up its new network layout. As at 30 June 2015, the Company had 327 securities and futures business departments (including 290 securities business departments and 37 futures business departments) spanning across 30 provinces and regions and 163 cities in the PRC, as well as 16 branches in Hong Kong, Macau and Singapore operated through Haitong International Securities. At the same time, the Company speeded up the establishment of online business platform, becoming the first securities company providing 24/7 online services in the industry. Leveraging its strategic branch network across China and strong online business platform, the Company has built a large and stable customer base. As at 30 June 2015, the Company had approximately 6.6 million customers onshore and offshore.

Section IV REPORT OF THE BOARD OF DIRECTORS

4. *Leading innovation ability in the market*

The Company always treats innovation as the key driving force in promoting strategic transition. In recognition of its strong capital position, effective risk management and proven execution capabilities, the Company is frequently designated by the regulatory authorities as the first few securities firms to participate in pilot programs for new businesses. The Company has maintained its leading positions in innovation businesses such as client financing business, OTC business and OTC options, etc., which have been implemented in recent years. In addition, the Company accelerated the pace of self-independent innovation, and continuously provided innovative business solutions and enriched its serving methods for onshore and offshore customers. The proportion of revenue generated from innovative businesses continued to increase, and has exceeded 37% in the first half of 2015, which effectively supplemented the traditional businesses.

5. *Layout of internationalization strategies leading the industry*

The Company has taken the lead in establishing a layout of internationalization strategies in the industry covering 17 countries and regions across five continents around the world including developed markets such as Hong Kong, Japan, North America and Europe as well as emerging markets such as Latin America, South Asia and Africa, through a series of offshore mergers and acquisitions and setting up a business platform in the free trade zone in China. Benefiting from the first-mover advantage in internationalization, the Company will capture the increasing opportunities of cross-border business, satisfy the demands for cross-border business of its customers and improve its international influence.

6. *Sound corporate governance and effective risk management and internal control systems*

The Company has navigated through several market and business cycles, regulatory reforms and industry transformations and developments over its 27 years of operation history. The Company is the only major PRC securities firm founded in the 1980s that remains in operation and retains the same brand without receiving government-backed capital injections or being acquired or restructured. The Company keeps improving its existing risk control system to effectively manage market risk, credit risk, liquidity risk and operational risk. The Company has also established effective Chinese walls and precautionary mechanisms across its business lines to prevent potential conflicts of interests. In addition, the Company has established an independent and centralized internal audit and compliance system, in order to effectively monitor its operations and transactions.

Section IV REPORT OF THE BOARD OF DIRECTORS

(V) Analysis on investments

1. Overall analysis on external equity investments

At the end of the Reporting Period, investments accounted for using equity method of the Group amounted to RMB6,192 million, representing an increase of RMB506 million or 8.90% as compared with RMB5,686 million at the end of last year, mainly due to the increase of RMB407 million from the investment of subsidiaries of Haitong International Holdings.

(1) Securities investment

No.	Type of securities	Stock code	Abbreviated name	Initial investment amount (RMB'000)	Number of shares held (share)	Carrying value as at the end of the period (RMB'000)	Percentage of total securities investment at the end of the period (%)	Profit and loss during the Reporting Period (RMB'000)
1	Treasury bonds	010213	02 Treasury Bonds (13)	2,035,732.55	21,100,000.00	2,099,872.00	2.57%	72,445.64
2	Funds	511990	Fortune SGAM Cash Profit	1,603,920.31	16,303,995.00	1,630,409.84	2.00%	9,444.96
3	Treasury bonds	010107	21 Treasury Bonds (7)	912,022.73	8,800,000.00	932,360.00	1.14%	60,151.28
4	Preferred shares		ICBC Preferred Shares	906,422.38	1,480,000.00	906,123.64	1.11%	89,070.60
5	Funds	EFMMMKB.CH	E Fund Money Market Fund - B	847,349.46	847,039,402.00	1,074,130.67	1.31%	226,781.21
6	Funds	510050	ChinaAMC SSE 50 ETF	480,669.81	184,915,179.00	527,193.18	0.65%	-12,767.16
7	Funds	511220	HFT SSE Pledgeable Investment Bond ETF	499,749.02	5,018,361.00	483,770.00	0.59%	27,139.30
8	Inter-bank financial bonds	140221	14 China Development Bank 21	426,006.89	4,100,000.00	428,907.15	0.52%	5,990.04
9	Inter-bank financial bonds	1116001	11 Shenzhen Development Bank 01	389,105.72	3,800,000.00	415,907.34	0.51%	20,758.64
10	Funds	159919	Harvest SSE SZSE 300 ETF	334,204.03	81,487,990.00	380,141.47	0.47%	281,335.00
Other securities investment held as at the end of the period				68,311,723.35	/	72,834,177.18	89.13%	2,850,265.57
Profit and loss for securities investment sold during the Reporting Period				/	/	/	/	3,724,256.36
Total				76,746,906.25	/	81,712,992.46	100.00%	7,354,871.44

Note 1: The sequence of this table is based on the percentage of the carrying value as at the end of the Reporting Period attributable to the total securities investment of the Group as at the end of the Reporting Period, and this table only shows the top ten securities held by the Group as at the end of the Reporting Period;

Note 2: The securities investment of this table refers to the investment in stocks, warrant, convertible bonds, etc which are measured at fair value. Investment in stocks only shows the part of financial assets measured at fair value through profit or loss listed in the consolidated statements of the Group;

Note 3: Other securities investment refers to investment in other securities, other than the top ten securities;

Note 4: Profit and loss during the Reporting Period includes investment gains and gain or loss from the change of fair value from holding such securities by the Group.

Section IV REPORT OF THE BOARD OF DIRECTORS

(2) Shareholding in other listed companies

Unit: RMB'000

Stock code	Abbreviated name	Initial investment cost	Shareholding in the company	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in interests of owners during the Reporting Period	Accounts	Source of shares
600958	東方證券	285,283.00	0.88%	588,403.77	1,935.00	303,120.77	Available-for-sale financial assets	Restricted shares converted from corporate shares
601211	國泰君安	352,710.91	0.49%	364,457.51	-	11,746.60	Available-for-sale financial assets	Restricted shares converted from corporate shares
600705	中航投資	30,018.68	0.27%	233,479.33	-	53,049.73	Available-for-sale financial assets	Purchase from secondary market
300315	掌趣科技	87,000.00	0.50%	165,789.41	-	71,319.39	Available-for-sale financial assets	Non-public issuance of shares and purchase from secondary market
600198	大唐電信	76,473.85	0.82%	140,237.84	96,397.31	52,947.74	Available-for-sale financial assets	Restricted shares converted from corporate shares
832168	中科招商	141,480.00	0.49%	128,511.00	-	-12,969.00	Available-for-sale financial assets	Purchase from Share Transfer System of National SMEs
603969	銀龍股份	46,181.00	4.00%	113,387.99	1,205.17	67,206.99	Available-for-sale financial assets	Restricted shares converted from corporate shares
002578	中礦資源	9,670.00	0.90%	70,186.24	585.00	70,186.24	Available-for-sale financial assets	Restricted shares converted from corporate shares
300326	凱利泰	30,000.00	0.30%	29,701.38	-	-298.61	Available-for-sale financial assets	Non-public issuance of shares
002400	省廣股份	17,666.42	0.10%	21,945.45	77.92	4,279.03	Available-for-sale financial assets	Restricted shares converted from corporate shares
Equities in other listed companies		60,069.73	/	97,422.05	130,268.85	25,793.96	/	/
Total		1,136,553.60	/	1,953,521.98	230,469.24	646,382.83	/	/

Note 1: This table only shows the accounting shareholdings in other listed companies for available-for-sale financial assets by the Group;

Note 2: Profit and loss during the Reporting Period refers to the effects on consolidated net profit of the Group during the Reporting Period caused by this investment.

Section IV REPORT OF THE BOARD OF DIRECTORS

(3) Equity participation in financial companies

Unit: RMB'000

Name	Initial Investment	Beginning Shareholding (%)	Closing Shareholding (%)	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in interests of owners during the Reporting Period	Accounts	Source of shares
Fullgoal Fund Management Co., Ltd.	92,907.38	27.775	27.775	521,694.00	137,547.36	18,209.29	Investments accounted for using equity method	Capital contribution for subscription
HFT Investment Management Co., Ltd.	67,000.00	51.00	51.00	76,500.00	42,705.52	2,959.74	Investments in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong-Fortis Private Equity Fund Management Co., Ltd.	63,650.00	67.00	67.00	63,650.00	18,639.72	-1,025.20	Investments in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Futures Co., Ltd.	699,191.78	66.667	66.667	699,191.78	63,025.47	1,607.45	Investments in subsidiaries	Subsidiaries acquired through business combination not involving entities under common control
Haitong International Holdings Limited	5,071,838.00	100.00	100.00	5,071,838.00	1,187,154.39	69,168.99	Investments in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Capital Investment Co., Ltd.	7,300,000.00	100.00	100.00	7,300,000.00	204,953.09	325,146.68	Investments in subsidiaries	Capital contribution for establishment of subsidiaries
Haitong Innovation Securities Investment Co., Ltd.	3,000,000.00	100.00	100.00	3,000,000.00	241,665.90	65,550.78	Investments in subsidiaries	Capital contribution for establishment of subsidiaries
Shanghai Haitong Securities Asset Management Company Limited	1,200,000.00	100.00	100.00	1,200,000.00	262,134.37	-6,693.37	Investments in subsidiaries	Capital contribution for establishment of subsidiaries
Total	17,494,587.15	/	/	17,932,873.78	2,157,825.81	474,924.35	/	/

Note 1: Financial companies include commercial banks, securities companies, insurance companies, trust companies, and futures brokerage companies etc. This table only shows the shareholdings in non-listed financial companies held by the Company;

Note 2: Profit and loss during the Reporting Period refers to the effects on consolidated net profit during the Reporting Period caused by this investment;

Note 3: Changes in interests of owners during the Reporting Period refer to the effects on the consolidated interests of owners during the Reporting Period caused by this investment.

As at the end of the Reporting Period, the initial investment cost for equity participation in non-listed financial companies as stated in the table above amounted to RMB17.495 billion, representing an increase of RMB1.3 billion as compared to the end of 2014 (RMB16.195 billion), mainly due to capital increase with cash in Haitong Capital Investment Co., Ltd.

Section IV REPORT OF THE BOARD OF DIRECTORS

2. Use of proceeds

(1) Overall use of proceeds of the private placement of new H Shares in 2015

According to the resolutions passed at the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 held on 9 February 2015, and the Reply of Approving Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 811) from CSRC, as at 29 May 2015, the Company completed the private placement of 1,916,978,820 overseas listed foreign shares (H Shares) with a nominal value of RMB1.00 each, at an issue price of HK\$17.18 per share, with a total proceeds of HK\$32,933,696,128.00 raised. The net amount of actually raised proceeds was HK\$32,747,000,030.00 after deducting issuance fees of HK\$186,696,098.00. As at 30 June 2015, the use of all proceeds of the Company were consistent with the intended use as set out in the announcement of the Company dated 21 December 2014, and strictly in compliance with the rules regarding the use of proceeds. (No statement on the return is provided for this interim period due to a short period for the use of proceeds)

Unit: RMB'0000

Year	Method	Total proceeds	Total Proceeds used during the Reporting Period	Total accumulated proceeds used	Total unutilized proceeds	Use and purpose of unutilized proceeds
2015	Private placement (H Shares)	2,621,145.68	1,940,959.42	1,940,959.42	680,186.26	Used for developing the margin financing and securities lending business of the Company/used for developing the sales and trading business of structured products of the Company
	Descriptions of overall use of proceeds		(i)	approximately 60% will be used for developing the margin financing and securities lending business;		
			(ii)	approximately 15% will be used for developing the securities repo and stock repo trading business;		
			(iii)	approximately 10% will be used for developing the sales and trading business of structured products;		
			(iv)	approximately 5% will be used for increasing the capital in Haitong Capital Investment Co., Ltd. and developing the direct investment business;		
			(v)	approximately 10% will be used for replenishing the working capital.		

As at 30 June 2015, the actual uses of the proceeds were in line with those committed in the announcement of the Company dated 21 December 2014. For details, please refer to "Use of proceeds on committed projects".

Section IV REPORT OF THE BOARD OF DIRECTORS

(2) Use of proceeds on committed projects

Unit: RMB'0000

Name of committed project	Any changes in the project	Amount of proceeds Scheduled to invest	Amount of proceeds invested during the Reporting Period	Actual accumulated amount of proceeds invested	Whether in line with the schedule	Project progress	Expected revenue	Generation of revenue	Explanations on failure to achieve the schedule and expected revenue	Reasons of changes and explanations on change in proceeds
Approximately 60% will be used for developing the margin financing and securities lending business of the Company	No	1,573,973.62	928,235.26	928,235.26	Yes	59%	-	N/A	-	-
Approximately 15% will be used for developing the securities repo and stock repo trading business of the Company	No	393,171.85	393,171.85	393,171.85	Yes	100%	-	N/A	-	-
Approximately 10% will be used for developing the sales and trading business of structured products of the Company	No	262,114.57	227,666.67	227,666.67	Yes	87%	-	N/A	-	-
Approximately 5% of the proceeds will be used for increasing the capital in Haitong Capital Investment Co., Ltd. and developing the direct investment business of the Company	No	130,000.00	130,000.00	130,000.00	Yes	100%	-	N/A	-	-
Approximately 10% will be used for replenishing the working capital of the Company	No	261,885.64	261,885.64	261,885.64	Yes	100%	-	N/A	-	-

Note: Exchange rate for the raised capital by issuing H Shares is calculated by actual exchange rate for its settlement.

(3) Changes in projects invested with raised proceeds

There is no change in projects invested with raised proceeds, so that this clause is not applicable.

Section IV REPORT OF THE BOARD OF DIRECTORS

3. *Analysis on principal subsidiaries and non-controlling companies*

- (1) The registered capital of HFT Investment Management Company Limited was RMB150 million, 51% of which was held by Haitong Securities. As at 30 June 2015, total assets and net assets of HFT Investment Management Company Limited amounted to RMB1,255 million and RMB798 million respectively. In the first half of 2015, its operating income and net profit amounted to RMB323 million and RMB84 million respectively.

The main business scope of HFT Investment Management Company Limited includes fund raising, fund sale, assets management and other businesses permitted by CSRC.

- (2) The registered capital of Fullgoal Fund Management Co., Ltd. was RMB180 million, 27.775% of which was held by Haitong Securities. As at 30 June 2015, total assets and net assets of Fullgoal Fund Management Co., Ltd. amounted to RMB3,017 million and RMB1,886 million, respectively. In the first half of 2015, its operating income and net profit amounted to RMB1,422 million and RMB502 million respectively.

The main business scope of Fullgoal Fund Management Co., Ltd. includes fund raising, fund sale, assets management and other businesses permitted by CSRC.

- (3) The registered capital of Haitong-Fortis Private Equity Fund Management Co., Ltd. was RMB100 million, of which 67% was held by Haitong Securities. As at 30 June 2015, total assets and net assets of Haitong-Fortis Private Equity Fund Management Co., Ltd. amounted to RMB201 million and RMB141 million, respectively. In the first half of 2015, its operating income and net profit amounted to RMB71 million and RMB28 million respectively.

The main business scope of Haitong-Fortis Private Equity Fund Management Co., Ltd. includes industrial investment fund management, investment advisory, and investment funds formation.

- (4) The registered capital of Haitong Futures Co., Ltd. was RMB1,000 million, of which 66.667% was held by Haitong Securities. As at 30 June 2015, total assets and net assets of Haitong Futures Co., Ltd. amounted to RMB21,879 million and RMB1,377 million, respectively. In the first half of 2015, its operating income and net profit amounted to RMB1,591 million and RMB95 million respectively.

The main business scope of Haitong Futures Co., Ltd. includes commodity futures brokerage, financial futures brokerage, futures investment consultation, assets management and funds sales.

Section IV REPORT OF THE BOARD OF DIRECTORS

- (5) The registered capital of Haitong International Holdings Limited was HK\$6,000 million, of which 100% was held by Haitong Securities. As at 30 June 2015, total assets and net assets attributable to the parent company of Haitong International Holdings Limited amounted to HK\$125,328 million and HK\$9,293 million, respectively. In the first half of 2015, its operating income and net profit amounted to HK\$4,353 million and HK\$2,356 million respectively.

The main business scope of Haitong International Holdings Limited includes investment holdings and engaging in brokerage, corporate financing, assets management and other businesses authorized by Hong Kong securities regulatory rules through establishment of various subsidiaries.

- (6) The registered capital of Haitong Capital Investment Co., Ltd. was RMB7,300 million, of which 100% was held by Haitong Securities. As at 30 June 2015, total assets and net assets attributable to the parent company of Haitong Capital Investment Co., Ltd. amounted to RMB10,375 million and RMB8,548 million, respectively. In the first half of 2015, its operating income and net profit amounted to RMB356 million and RMB226 million respectively.

The main business scope of Haitong Capital Investment Co., Ltd. includes using its own capital or establishing direct investment funds to make equity investments or debt investments in relation to equity in enterprises; investing in other investment funds in relation to equity investments; providing investment advisory services, investment management and financial advisory services on equity investments to clients; and other businesses permitted by CSRC.

- (7) The registered capital of Haitong Innovation Securities Investment Co., Ltd. was RMB3,000 million, of which 100% was held by Haitong Securities. As at 30 June 2015, total assets and net assets of Haitong Innovation Securities Investment Co., Ltd. amounted to RMB5,301 million and RMB3,984 million, respectively. In the first half of 2015, its operating income and net profit amounted to RMB330 million and RMB242 million respectively.

The main business scope of Haitong Innovation Securities Investment Co., Ltd. includes financial products investment, securities investment, investment consultation and investment management.

- (8) The registered capital of Shanghai Haitong Securities Asset Management Company Limited was RMB1,200 million, of which 100% was held by Haitong Securities. As at 30 June 2015, total assets and net assets of Shanghai Haitong Securities Asset Management Company Limited amounted to RMB14,300 million and RMB1,848 million, respectively. In the first half of 2015, its operating income and net profit amounted to RMB966 million and RMB262 million respectively.

The main business scope of Shanghai Haitong Securities Asset Management Company Limited includes securities asset management.

Section IV REPORT OF THE BOARD OF DIRECTORS

(VI) Risk management

1. *Principal risks exposed to the operating activities of the Company*

The risks exposed to the Company's business operation activities mainly include credit risk, market risk, operational risk, liquidity risk and etc., which are mainly represented in the following aspects:

(1) *Credit risk*

Credit risk refers to the loss suffered by the Company due to its borrowers, counterparties or issuers of products held by it failing to perform their contractual obligations or the loss suffered by the Company due to the deterioration of the credit qualities of the third parties whose securities are held by the Company. Credit risk has certain correlation with market risk. The credit risk exposure of the Company on certain financial products and transactions also changes while the market fluctuates. Therefore, some monitoring and preventive measures of the Company against market risk can also play a role in the management of credit risk.

Generally speaking, credit risk exposed to securities firms in the industry mainly relates to trading of securities on behalf of customers, provision of margin financing and securities lending services and stock repo transaction to customers, stock pledged repo business and over-the-counter derivative transactions such as interest rate swap, return swap, over-the-counter options and futures transactions and investment business of credit products including bonds. In terms of securities brokerage business, credit risk can be effectively controlled under the PRC's current rules on trading and settlement in securities market, and trading of securities by the Company on behalf of the customers is settled in full by security deposit for the sake of risk avoidance. In terms of margin financing and securities lending business, stock repo transaction, stock pledged repo business and credit risk management of counterparties, the Company took control of credit risk involved in the business through the establishment and enforcement of various strict systems and measures in several aspects such as credit reference checks, credit approval, mark-to-market and liquidation of positions and carried out recourse through judicial procedures upon the forced liquidation of clients' positions and the occurrence of losses. The Company placed an emphasis on diversified investments in respect of credit type fixed income securities investment, investing products mainly with higher credit ratings, and kept a close track of the operating conditions and credit rating changes in investees, therefore, credit risk associated with the subject of investment was well under control.

Section IV REPORT OF THE BOARD OF DIRECTORS

(2) *Market risk*

- A. Price fluctuation risk of securities assets. Securities asset price risk mainly refers to the risk of changes in the Company's securities trading and in the market value of securities invested which could bring loss to the Company. Price risks of the Company include securities price risk, interest rate and exchange rate fluctuation risk and bulk commodity price risk involved in brokerage business, underwriting business, proprietary trading investment, assets management, derivative products and other business. The operation status of the Company highly relates to the environment of securities market and has great uncertainties.

During January to May 2015, Shanghai and Shenzhen indices carried forward the rising momentum from the end of last year but turned downward since mid-June 2015. SSE Composite Index started with point 3,234.68 at the end of 2014 and closed at 4,277.62 at the end of June 2015, representing an increase of 32.23%. SZSE Component Index increased by 30.17%.

For the management of price fluctuation risk, the Company mainly implements diversified investment strategies, properly controls and duly adjusts the equity securities position, and uses stock index futures for hedging, thus effectively controlling the market risk. The Company regularly follows up the risk value changes of equity securities position to monitor the market risk influence on value of equity securities. For proprietary trading of spot gold, the Company strictly controls the spot gold position; for gold lending business, the Company adopts measures such as gold forward and swap to conduct hedging activities, which effectively controls the risk of gold price fluctuation.

- B. Interest rate risk. Interest rate risk refers to the risk resulted from market interest rate change, and the main part of the Company's assets which is relevant to interest rate risk mainly includes monetary deposits, bond investment, financing business and debt issue etc. In the first half of 2015, the central bank implemented a relatively loose monetary policy, through two RRR cuts, three interest rate cuts and three targeted RRR cuts, leading a relatively loose liquidity to the market as a whole. The China bond composite full-price index closed at point of 115.87 at the end of June 2015, representing an increase of 1.19% as compared to that of the end of last year. The Company took control of the interest rate risk mostly by employing methodologies such as size control and investment portfolio to make a reasonable allocation of assets and match the structure of terms of liabilities with that of the assets and by evaluating interest rate risk through regular estimation of indicators such as duration, convexity and DV01 of the investment portfolio.

Section IV REPORT OF THE BOARD OF DIRECTORS

- C. Exchange rate risk. Exchange rate risk refers to the risk resulted from changes of foreign exchange rate. With the international expansion of the Company, the exchange rate risk is gradually revealed. Apart from overseas equity investments, the Company also increased the size of its foreign currency liabilities by ways such as issue of foreign currency bonds, which resulted in the increase in the overall foreign currency assets of the Group. The variety of assets denominated in foreign currencies increased in respect of the asset structure of the Group. Other than the assets mainly denominated in Hong Kong dollars, assets denominated in U.S. dollars were newly added into the asset structure of the Group and assets denominated in other currencies including Euro will also be added in the future, which brought increased difficulty to management. In addition, apart from overseas foreign exchange rate risks, with the development of business in the free trade zone and particularly the increase in foreign currency liabilities and overseas investments, the foreign exchange risks exposure to the Company also increased. The Company has been continuously conducting the follow-up tracking and study on the foreign exchange market, has been strengthening the system building and internal management and has adopted a series of measures to hedge and mitigate the exchange rate risk, so as to support the expansion of overseas businesses. As at 30 June 2015, there was no significant effect on the financial statements of the Group caused by exchange rate risk.

(3) Operational risk

Operational risk refers to risks associated with losses arising from the deficiency and defects of the internal processes, human or system issues and external events. Operational risk usually includes the risks resulted from human error in internal operation, imperfection of internal process, information system fault or imperfection, trading failure and other reasons. It also includes the risks associated with losses caused by fraudulent conducts outside the Company. Information technology risk is a main component of the existing operational risks. Information technology is important to the business development and management of securities trading, settlement and service, etc. The unreliability of system, imperfection of network technology and data error will all bring losses to the Company.

The Company keeps on constantly improving the internal control management mechanism, completing the operational processes, strengthening the inspection and audit, intensifying the accountability system, reducing the possibility of operational risks and actively and properly dealing with the adverse effects. However, although the Company formulates a relatively comprehensive internal control system in accordance with the provisions of Guidelines for Internal Control of Securities Company issued by CSRC, it still cannot guarantee to completely avoid the economic loss, legal disputes and non-compliance risks likely resulted from operational error and intentional omission. Besides, the securities industry which the Company belongs to is an intelligence-intensive industry. Therefore, the staff moral hazard is more severe than that of other industries, and staff moral crime will cause loss to the Company's assets and adverse effects on the Company's reputation. The Company persists in implementation of refined management, constantly improves the business process, strengthens the professional integrity and professional ethics education of staff, and strives to manage and reduce the operational risk exposure.

Section IV REPORT OF THE BOARD OF DIRECTORS

(4) *Liquidity risk*

Liquidity risk refers to the risk that the Company is unable to gain sufficient funds with reasonable costs in a timely manner to pay its due debts, satisfy other payment obligations and meet the capital requirements for normal business operations.

In light of factors such as large scale of proprietary trading and rapid growth in financing business, the Company is subject to effects including macro policy, changes in market conditions, operation conditions and client credit. The Group may also subject to liquidity risk arising from mismatched asset-liability structure.

During the Reporting Period, facing a complex and ever-changing market environment, the Company actively improved its capabilities to identify, assess and settle liquidity risk by adopting measures including strengthening beforehand control, determination of risk preference, monitoring the performance of risk indicators and formulation of adequate emergency plan for liquidity risk, and further improved its capabilities of liquidity risk resistance and control by adopting measures including increasing liquidity reserves and replenishing net capital.

In respect of liability management, during the Reporting Period, the Company continuously optimized its debt financing structure through issuing debt instruments including subordinated bonds, short-term corporate bonds of securities companies and income receipts, effectively reduced the effects on the liquidity of the Company caused by the mismatches of duration of its assets and liabilities by extending the overall duration of its debts to ensure the satisfaction of the capital requirements for the daily operations of the Company and the fast growth of capital-intensive businesses including margin financing and securities lending business. To address the challenges brought by the development of the Company and drastic changes of market, the Company continuously improved its liquidity management system and risk control mechanism, so as to further expand its financing channels within the regulatory limits, reasonably arrange its debt structure, strive to keep a strong solvency and actively enhance the profitability and sustainability of each business lines.

Meanwhile, the Company put emphasis on maintaining good cooperation relationship with major commercial banks, focused on standardized operations and maintained good reputation, so as to maintain smooth financing channels. The Company could also satisfy its capital requirements through interbank borrowing and lending, repurchase, secured loans, short-term financing bills payables, short-term corporate bonds, corporate bonds, subordinated bonds, innovative financing instruments and other financing measures which are in compliance with laws and regulatory requirements.

Section IV REPORT OF THE BOARD OF DIRECTORS

In order to further enhance the scientific control and projection and judgment of liquidity risk, the Company established a liquidity risk pressure test model which is based on the duration structure of liabilities and quality asset reserves, and improves the efficiency of liquidity risk management through measures such as standardizing the liquidity risk management reports and establishing a liquidity risk information system.

Generally speaking, during the Reporting Period, the Company had sufficient quality asset reserves and could ensure that the Company would be able to pay its due debts and meet the capital requirements for its operation and other payment requirements in at least the next half year. The overall liquidity risk was under control.

2. Reflection of main risk factors in this Reporting Period

- (1) The Company has set up a counter-cyclical adjustment mechanism to effectively control the risks of the financing business by adopting measures such as lowering the discount rate of secured securities and increasing the percentage of customer deposit according to market conditions and fluctuations. The Company duly urged the customers suffering pre-warning in the financing business to replenish collateral and reminded the customers receiving key attentions from the Company of relevant risks in a timely manner and required them to buy-in or settle their debts as soon as possible. The Company also soothed the customers who were forced to liquidate their positions or voluntarily liquidated their positions to avoid extreme cases. At the same time, the Company has formulated dedicated management measures for the provision of bad debts in the financing business, pursuant to which the bad debts were provided to deal with possible credit risk losses in the financing business.
- (2) The risk was under control and bearable with the ratio of VaR to net assets at the end of each month in the first half of 2015 kept below 0.3%. However, the use of these management tools was still influenced by the effectiveness of investment strategy and hedging strategy. The effectiveness of management methods was also restricted by the adverse changes of market liquidity, and the relevance between securities price and hedging derivative product price also has an influence on the effectiveness of hedging strategy.

With the support of the Company's liquidity, the scale of investment of non-equity securities proprietary trading business of the Company remained stable based on the trends of and judgements on bond market. The whole portfolio duration was under control with little changes and remaining relatively stable at the end of each month. The duration as at the end of June 2015 was 3.21, representing an increase as compared with 2.76 as at the end of 2014. In the first half of 2015, the market risk control of the Company for its fixed income investments was sound as a whole.

Section IV REPORT OF THE BOARD OF DIRECTORS

The scale of the Company's equity securities investment showed a general growing trend in the first half of 2015. The earning model of proprietary trading was diversified through active business transformation by conducting market neutral investment. The equity securities investment effectively implemented the stock index futures hedging business, and hedged against the systematic risk. Meanwhile, the scale of return on equity swaps further expanded. In the first half of 2015, there were no defaults of counterparties upon margin calls.

- (3) The Company generally adhered to standardized operations and had no significant violation risk. During the Reporting Period, the Company received the Decisions on Adopting Measure of Suspension of Opening New Margin Financing and Securities Lending Customer Credit Accounts for Three Months against Haitong Securities Co., Ltd. (《關於對海通證券股份有限公司採取責令暫停新開融資融券客戶信用賬戶3個月措施的決定》) issued by CSRC due to its non-compliance in the extension of the contractual term of margin financing and securities lending contracts which became due. The Company has implemented the corrective measures in time. The Company continued to strengthen the establishment and operation of information technology system and conduct regular and irregular inspection and maintenance in strict accordance with operation management procedure, thus to ensure the reliable, stable and safe operation of the system and avoid material technology risk. The Company intensified the executive of various rules and regulations and focused on improving each system and process, therefore, there was no management risk substantially influencing the Company.
- (4) At the end of the Reporting Period, affected by factors such as the successive completion of the capital replenishing plans of the Company and the decrease in scale of the margin financing and securities lending business of the Company and funds contra flow due to market volatility, the pressures on the liquidity of the Company reduced. Sufficient capital reserves reduced the occurrence of liquidity risks and ensured that the Company could maintain its stable operation in a complex market environment. Facing an uncertain market environment in the future, the Company will continue to conduct assets and liabilities management actively and achieve higher capital utilization efficiency on the basis of safety and liquidity, so as to safeguard the sound operation of the Company.

During the Reporting Period, the Company was steady in business, reasonable in assets allocation, good in financial conditions and abundant in net assets.

Section IV REPORT OF THE BOARD OF DIRECTORS

3. *Countermeasures and measures taken (or proposed to be taken) by the Company*

In response to the abovementioned risks, the Company has taken or is taking a variety of measures to prevent and control related risks according to the situation of domestic and international market:

- (1) Adhering to the strategy of international development and innovative development. Enhancing its understanding on development of the global financial market, and increasing its corporate competitiveness and overall risk management capability.
- (2) Proactively implementing its capital replenishing plans. Enhancing its capital strengths through measures such as equity financing and debt financing. During the Reporting Period, the Company has completed its issuance of new H Shares and subordinated debts.
- (3) Insisting on improving corporate governance structure. Continuing to regulate operation of the general meeting, to ensure that all shareholders, especially minority shareholders, enjoy equal rights, to protect interests of minority shareholders, to standardize and improve operation of the Board, to give full play to the role of each special committee and independent non-executive Directors, and to give full play to the supervision role of the Supervisory Committee to the Board and management.
- (4) Adhering to optimizing internal control system. Implementing the Basic Standards for Enterprise Internal Control and its supporting guidelines in full and striving to develop a risk management system in line with international standards.
- (5) Strengthening compliance and risk management. Continuing to improve various compliance management functions and risk management standards, and to improve the relevant risk management system; further strengthening anti-money laundering work, Chinese wall construction and compliance monitoring, to prevent violations such as insider trading, conflict of interest, and transfer of benefits.

The Company pays significant attention to identifying and assessing of risk exposures for new products and new businesses, and standardizing operational procedures; monitoring system is improved continuously from time to time, in order to make sure that business is operated with real time monitoring and risk alarm; various businesses received more inspections, so as to promise the effective implementation of relevant systems, procedures and risk management measures. Aiming to building an adequate corporate culture with lawful and compliance operation, the Company strengthens the compliance trainings for its staffs, particularly to raise their awareness of compliance and their ability of risk management by advocating and building such compliance culture with full and active participation from staffs.

Section IV REPORT OF THE BOARD OF DIRECTORS

- (6) Continuing to improve net capital monitoring system, strengthening the net capital-oriented risk control indicator monitoring system, and optimizing allocation of net capital among various businesses, so as to prevent and resolve the liquidity risk. At the same time, the Company strengthens the application of sensitivity analysis and stress testing tools, providing risk assessment support for major business development and important decision-making in a timely manner. The funds of the Company mainly deposit in the state-owned banks and listed joint-stock banks, which ensures the safety of the funds. Under the premise of ensuring the safety of funds, the Company strives to improve efficient use of funds.
- (7) By strengthening the study of domestic and international macro economy, industry economics and listed companies, the Company improves awareness and understanding over market fluctuations. Based on its judgment on the market, it makes real-time adjustments of proprietary trading scale and asset allocation structure, standardizes the investment decision-making process, strengthens management of alternative library of investment products, implements proprietary investment stop-profit and stop-loss system strictly and guards against market risk and counterparty credit risk.
- (8) Increasing system investment and strengthening the construction of IT governance. The Company fully reviews the information system framework, searches the blind spots in information management, strengthens information system authority management, and standardizes the network construction of branches. At the same time, the Company strengthens the upgrading and optimization of centralized trading, legal person settlement, marketing management, margin financing and securities lending, stock index futures, human resources management, OA systems of the Company, promotes customer relationship management systems and database construction and provides strong support for business development.
- (9) Adhering to investor education and appropriate management. The Company insists on investor education, works on customer and product management at different levels, and reveals the risks to investors in a timely manner. At the same time, the Company integrates customer resources and enhances customer data analysis and service capabilities. The Company will make full use of the advantages of integration of the channels and resources of customer service, properly undertake management work of investor eligibility, and provide appropriate products and services for all types of customers.

Section IV REPORT OF THE BOARD OF DIRECTORS

II. PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

(I) Implementation or adjustment of profit distribution proposal during the Reporting Period

The Company's 2014 profit distribution proposal was reviewed and approved by its shareholders at the 2014 annual general meeting. It was resolved that a cash dividend of RMB0.25 per share (inclusive of tax) would be distributed to all shareholders on the basis of its total share capital of 11,501,700,000 shares. Cash dividends of RMB2.50 (inclusive of tax) was distributed for every 10 shares, totaling a cash dividend of RMB2,875,425,000.00. The Company published announcements relating to the implementation of 2014 profit distribution in the China Securities Journal, the Shanghai Securities News, the Securities Times, and the respective websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company. As at 6 July 2015, the Company's 2014 profit distribution proposal was fully implemented.

(II) Profit distribution proposal and proposal on transfer of capital reserve fund into capital for half year

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2015.

III. OTHER DISCLOSURES

(I) Special purpose entities controlled by the Company

As at 30 June 2015, there were six special purpose entities controlled by the Company, including Haitong Capital International Investment Co., Ltd., Haitong International Finance Holdings Limited, Haitong International Strategic Investment Limited, Haitong International Global Strategic Investment Limited, Unican Limited and Haitong International Finance Holdings 2015 Limited.

1. Haitong Capital International Investment Co., Ltd. is a wholly-owned subsidiary of Haitong International Holdings Limited, a wholly-owned subsidiary of the Company in Hong Kong, and was registered in Hong Kong on 24 April 2013, with a registered capital of HK\$10,000 and paid-up capital of HK\$1.

Haitong Capital International Investment Co., Ltd. will become the platform to raise QFLP funds overseas for Haitong Innovation Capital Management Co., Ltd., a subsidiary of Haitong Capital Investment Co., Ltd. (the Company's direct investment subsidiary). The introduction of QFLP will enrich the capital sources and promote the development of equity investment business.

2. Haitong International Finance Holdings Limited is a wholly-owned subsidiary of Haitong International Holdings Limited, a wholly-owned subsidiary of the Company in Hong Kong, and was registered in British Virgin Islands ("BVI") on 19 September 2013, with a registered capital of USD50,000 and paid-up capital of USD1.

Haitong International Finance Holdings Limited was established as the issuer of the USD900 million offshore bonds issued by the Company on 29 October 2013. Using a special purpose entity as the issuer of offshore bonds can realize the risk isolation.

Section IV REPORT OF THE BOARD OF DIRECTORS

3. Haitong International Strategic Investment Limited is a wholly-owned subsidiary of Haitong International Holdings Limited, a wholly-owned subsidiary of the Company in Hong Kong, and was registered in BVI on 16 October 2013, with a registered capital of USD50,000 and paid-up capital of USD1.

The Company will take Haitong International Strategic Investment Limited as a platform to conduct cross-border securities investment business, manage the liquidation reserve, pay the investment income, enter into relevant business agreement and legal document with overseas customers and also form a firewall between the Company's domestic business and the Hong Kong business conducted through our wholly-owned subsidiary Haitong International Holdings Limited in Hong Kong.

4. Haitong International Global Strategic Investment Limited is a wholly-owned subsidiary of Haitong International Holdings Limited, a wholly-owned subsidiary of the Company in Hong Kong, and was registered in the Cayman Islands ("Cayman Islands") on 3 January 2014, with a registered capital of USD50,000 and paid-up capital of USD1.

The Company will develop cross-border fixed income products, cooperate with offshore financial institutions to raise foreign funds and invest such funds in China's bond market by RQFII through this platform.

5. Unican Limited is a wholly-owned subsidiary of Haitong UT Capital Group Co., Limited, a wholly-owned subsidiary of Haitong International Holdings Limited in Hong Kong, and was registered in BVI on 23 April 2014, with a registered capital of USD1 and paid-up capital of USD1.

Unican Limited was established as the issuer of offshore bonds by Haitong UT Capital Group Co., Limited. Taking Unican Limited as the issuer, Haitong UT Capital Group Co., Limited has established a USD1 billion medium-term note program, and issued offshore Renminbi denominated bonds abroad in May 2014, September 2014 and July 2015, respectively. Using a special purpose entity as the issuer of offshore bonds can realize the risk isolation.

6. Haitong International Finance Holdings 2015 Limited is wholly owned by Haitong International Holdings Limited, and was registered in BVI on 23 December 2014, with a registered capital of USD50,000 and paid-up capital of USD1.

Haitong International Finance Holdings 2015 Limited was established as the issuer of the USD670 million offshore bonds issued by the Company on 21 April 2015 and other overseas bonds in the future. Using a special purpose entity as the issuer of offshore bonds can realize the risk isolation.

Section V SIGNIFICANT EVENTS

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS COMMONLY QUESTIONED BY MEDIA

The Company was not involved in any material litigation and arbitration and did not have matters commonly questioned by media during the Reporting Period.

During the Reporting Period, the Company was imposed by CSRC with administrative regulatory measures of suspension of opening new margin financing and securities lending customer credit accounts for three months due to non-compliance in margin financing and securities lending business. Details are as follows: on 16 January 2015, the Company received from CSRC the Decision to Suspend Haitong Securities Co., Ltd. from Opening New Margin Financing and Securities Lending Customer Credit Accounts for Three Months. The Company attaches great importance to the operations in compliance and risk management of margin financing and securities lending business and has taken specific corrective measures in a timely manner in respect of the inspection results and penalty decision of CSRC. For details, please refer to the Company's announcement dated 19 January 2015. During the Reporting Period, the Company filed the correction report with CSRC and re-launched opening new margin financing and securities lending customer credit accounts in April 2015.

On 24 August 2015, the Company received from CSRC the Notice of Investigation (Jin Zheng Diao Cha Zi No. [2015011]). CSRC had decided to carry out an investigation against the Company pursuant to the Securities Law of the PRC for suspected violations of the Company in relation to failure to review and verify the identity of clients in accordance with rules. For details, please refer to the Company's announcement dated 25 August 2015.

II. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

The Company had no bankruptcy and restructuring related matters during the Reporting Period.

III. ASSETS TRANSACTIONS AND MERGER OF COMPANIES

Save as disclosed herein, the Company had no material acquisitions, asset disposals and mergers of companies during the Reporting Period.

The Resolution on the Acquisition of BESI through Haitong International Holdings Limited, a wholly-owned subsidiary, by the Company was passed on the thirty-first meeting (extraordinary meeting) of the fifth session of the Board of the Company. On 8 December 2014 (after trading hours), Haitong International Holdings and Novo Banco, S.A. ("Novo Banco") entered into a sale and purchase agreement, on the terms and subject to the conditions of which Haitong International Holdings has agreed to acquire the target shares of BESI from Novo Banco at the purchase price of EUR379 million. Upon completion, BESI will become a direct subsidiary of Haitong International Holdings and an indirect subsidiary of the Company. The acquisition has not been completed during the first half of 2015.

All the conditions precedent that are required to be confirmed to proceed to completion of such acquisition were satisfied on 13 August 2015.

Section V SIGNIFICANT EVENTS

IV. EQUITY INCENTIVES OF THE COMPANY AND ITS EFFECT

The Company has not operated any equity incentive scheme during the Reporting Period.

Haitong International Securities Group Limited (“Haitong International Securities Group”, listed on Hong Kong Stock Exchange, stock code: 665), a subsidiary of Haitong International Holdings, adopted a share option scheme on 23 August 2002, which was valid and effective for a period of 10 years commencing from the date of adoption and expired on 22 August 2012. At the extraordinary general meeting held on 8 June 2015, Haitong International Securities Group considered and approved the adoption of a new share option scheme, which is valid and effective for a period of 10 years commencing from the date of adoption. As at 30 June 2015, Haitong International Securities Group has not granted any share options under the scheme. For further information, please refer to the 2015 interim report of Haitong International Securities Group.

UT Capital Group, a subsidiary of Haitong International Holdings, adopted a share option incentive scheme on 27 May 2014, which is valid for a period of five years. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical and business personnel of UT Capital Group and its subsidiaries as determined by the board of directors of UT Capital Group, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme. On 19 January 2015, the board of directors of Haitong UT Capital Group Co., Limited (“Haitong UT Capital”, formerly known as UT Capital Group Co., Limited) resolved to offer to allocate share options to 28 qualified participants under such share option incentive scheme to subscribe for a total of up to 84,480,375 ordinary shares in the share capital of the Haitong UT Capital. The validity period of such options are within five years from the grant date, and the exercise price of the first batch of the options is US\$0.4552 per share option, and the exercise price of the subsequent batch of the options shall increase by 8% every year based on the exercise price of the first batch of the options. For further information, please refer to the Company’s announcement dated 19 January 2015.

V. MATERIAL RELATED PARTY TRANSACTION

During the Reporting Period, save as disclosed in Note 46 to the interim financial statements, the Group had no material related party transactions and there was no transaction of non-operating credit or indebtedness with related parties.

Section V SIGNIFICANT EVENTS

VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1 Trust, contracting and leasing matters

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

2 Guarantees

Unit: Yuan Currency: RMB

External Guarantees provided by the Company (including guarantees for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Party guaranteed	Amount of guarantee	Date of provision of guarantee (execution date of agreement)	Commencing date of guarantee		Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counter-guarantee exists	Related parties guarantee or not	Related relationship
					date	Expiry date							
Total amount of guarantees during the Reporting Period (excluding guarantees for subsidiaries)													
Total guarantee balance at the end of Reporting Period (A) (excluding guarantees for subsidiaries)													
Guarantees provided by the Company for subsidiaries													
Total amount of guarantees for subsidiaries during the Reporting Period													
Total guarantee balance for subsidiaries at the end of Reporting Period (B)													
Total amount of guarantees provided by the Company (including those for subsidiaries)													
Total amount of guarantees (A+B)													
Total amount of guarantees over equity attributable to owners of the Company (%)													
Including:													
Amount of guarantees provided to shareholders, actual controllers and their related parties (C)													
Portion of amount of debt guarantees directly or indirectly provided for parties guaranteed with the gearing ratio exceeding 70% (D)													
Amount of the total guarantees exceeding 50% of net assets (E)													
Total amount of above three types of guarantees (C+D+E)													
Explanations on outstanding guarantee which may undertake joint and several liability for repayment													
Explanations on guarantee													

- (1) On 13 April 2015, the third meeting (extraordinary meeting) of the sixth session of the Board was held through voting by correspondence, in which the Resolution on Provision of Joint and Several Guarantee for Issuance of U.S. Dollar Bonds by Wholly-owned Offshore Subsidiary was considered and passed. Haitong International Finance Holdings 2015 Limited, a wholly-owned offshore subsidiary of the Company, issued the 3.5% U.S. dollar bonds in the amount of USD670 million, which are due in 2020, and the Company provided joint and several guarantee for this issuance.
- (2) In October 2013, the Company issued the first phase of offshore bonds and the issuer is Haitong International Finance Holdings Limited, an indirect wholly-owned subsidiary of the Company. In order to enhance the repayment of bonds and lower the coupon rate, according to the authorization of the Company's first extraordinary general meeting in 2013, the authorized persons of the Company confirmed that guarantee would be provided for the first phase of offshore bonds by Bank of China Singapore Branch by way of opening standby letter of credit. Meanwhile, according to the resolution of the twenty-first meeting of the fifth session of the Board, the Company issued to Bank of China a letter of counter-guarantee regarding the standby letter of credit for the issuance of first phase of offshore bonds. The amount of counter-guarantee included the principal, interest and other relevant expenses of the issued first phase of offshore bonds. The guarantee is with joint and several liabilities and it ends on the date which is six months from the expiry of the standby letter of credit.

3 Other material contract or transaction

During the Reporting Period, there was no other material contract of the Company which shall be disclosed.

Section V SIGNIFICANT EVENTS

VII. PERFORMANCE OF UNDERTAKINGS

As at the end of the Reporting Period, there was no shareholder who directly held more than 5% of the shares of the Company. During the Reporting Period, the Company had no relevant undertakings.

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

During the Reporting Period, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP as its external auditor for 2015, who will be responsible for provision of relevant domestic audit services and internal control audit in accordance with the PRC GAAP, for a term of one year. In addition, Deloitte Touche Tohmatsu was re-appointed as the Company's external auditor for 2015 for a term of one year, who will be responsible for provision of relevant audit and review services in accordance with the IFRS.

IX. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WHO HELD MORE THAN 5% OF SHARES, ACTUAL CONTROLLER AND ACQUIRER

As at the end of the Reporting Period, the Company had neither shareholder who held directly more than 5% of its shares, nor actual controller. During the Reporting Period, none of the following circumstances happened to the Company, the Board, Directors, Supervisors, and senior management: being investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative departments and publicly condemned by a stock exchange. None of the Directors, Supervisors and senior management of the Company violated any rules or regulation with regard to trading of the shares of the Company.

X. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company and its subsidiaries did not issue any convertible bonds.

Section V SIGNIFICANT EVENTS

XI. CORPORATE GOVERNANCE

During the Reporting Period, the Company's operation and management are standardized and in order and in compliance with the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, the Regulatory Rules for Securities Companies, and laws and regulations of CSRC. In the meantime, the Company has since the listing of its H Shares on Hong Kong Stock Exchange on 27 April 2012 strictly complied with the CG Code, observed all code provisions under the CG Code, if applicable, and followed most of the requirements of recommended best practices set out therein.

During the Reporting Period, the Company convened 22 meetings in total comprising one annual general meeting, one extraordinary general meeting, one A shareholders' class meeting, one H shareholders' class meeting, six Board meetings, three Supervisory Committee meetings, three audit committee meetings, two working conferences of independent non-executive Directors on annual report, two nomination, remuneration and assessment committee meetings, one development strategy and investment management committee meeting, and one compliance and risk control committee meeting.

(I) Shareholders and general meetings

The Company convenes general meetings in accordance with the requirements under the Articles of Association and Rules of Procedures for Shareholders' General Meetings, to ensure that all shareholders are treated equally and are able to fully exercise their rights.

(II) Directors and the Board

The Company engages and changes its Directors strictly according to the relevant provisions under the Articles of Association. The number, composition and qualification of the Directors are in compliance with the applicable laws and regulations. The Board of the Company now comprises 13 Directors, among whom two are executive Directors, six are non-executive Directors and five are independent non-executive Directors. All Directors are able to perform their obligations in due diligence and protect the interests of the Company and that of all shareholders. Development strategy and investment management committee, audit committee, compliance and risk control committee, and nomination, remuneration and assessment committee are all established under the Board. Each committee has specific work allocations and clear accountabilities and operates in high efficiency. Out of these four committees, except for the development strategy and investment management committee, which is chaired by the chairman of the Board, each of the other three committees is chaired by an independent non-executive Director.

There is an audit committee under the Board of the Company, which is in compliance with the relevant requirements of CSRC and Shanghai Stock Exchange and the requirements of Chapter 3 of Hong Kong Listing Rules. The audit committee comprises seven members, namely, Mr. Lyu Changjiang (committee chairman), Mr. Liu Cheeming, Mr. Li Guangrong, Mr. Feng Lun, Mr. Xu Chao, Mr. Wang Hongxiang and Ms. Zhang Xinmei. The audit committee is mainly responsible for facilitating communication between the Company's internal and external auditors, monitoring and reviewing, and providing professional advice to the Board. The audit committee has reviewed and confirmed the 2015 interim financial report.

Section V SIGNIFICANT EVENTS

(III) Supervisors and Supervisory Committee

The Supervisory Committee of the Company currently consists of 12 Supervisors (although the Articles of Association provide that the Supervisory Committee shall consist of 13 Supervisors, due to the resignation of Mr. Dong Xiaochun as a Supervisor on 9 July 2015, so far the Supervisory Committee consists of 12 Supervisors), among whom, five are employee representative Supervisors and seven are non-employee representative Supervisors. The qualification and composition of Supervisors are in compliance with applicable laws and regulations. All Supervisors of the Company, holding themselves accountable to the shareholders, are able to perform their obligations in due diligence, monitor the legality and compliance of the performance of duties by the Company's finance department, Board members and senior management and provide recommendations and suggestions to the Board and senior management regarding relevant matters.

(IV) Senior management

Procedures for the appointment of the Company's senior management are in compliance with the PRC Company Law and the Articles of Association. The Company's senior management can operate the Company in compliance with laws and regulations and authorizations from the Board, with a view towards maximizing shareholders' value and social benefits.

(V) Stakeholders

The Company fully respects and protects the legal interests of all of its stakeholders and, together with them, continues to focus on the Company's sustainable and healthy development.

(VI) Information disclosure and investor relations management

During the Reporting Period, the Company was able to disclose relevant information in a manner that is true, accurate, complete, timely and fair and in accordance with the applicable laws, regulations and regulatory documents in the PRC and Hong Kong where its shares are listed. The Company can, strictly according to relevant provisions of Insider Registration System, strengthen the management of the Company's inside information and well organize the insider registration. The Company managed its investor relations in a manner of integrity and professionalism. The Company's senior management participated in investors services in person and also appointed a dedicated investor relations service team. In addition, the Company utilized various forms of communication, including setting up a hotline for investors, holding online interactions, e-mails, telephone conferences, on-site receptions, results briefing, investor presentation, road shows, E-interactive platform launched by Shanghai Stock Exchange and etc., to strengthen its communication with its domestic and foreign investors, thereby further enhanced the Company's transparency.

Section V SIGNIFICANT EVENTS

(VII) Building of compliance system

During the Reporting Period, strictly complying with the requirements of CSRC, taking into account its actual situation, the Company continuously improved its compliance management system. The Company's general compliance officer strictly performed compliance management duties according to applicable laws and regulations. The Company's shareholders, Directors and senior management had neither violated stipulated duties or procedures, nor given direct instructions to the general compliance officer or interfered with his work. The Company provided human resource, material resource, financial resource and technical support to its general compliance officer to carry out his duties to ensure effective compliance management. During the Reporting Period, the Company continued to implement internal control standardization, strengthen its internal control system building, and strictly manage compliance of all of its business lines. It established a system of compliance review, monitoring and inspection and assessment, and strived to improve the execution of various systems, internal control procedures and risk management measures, to strengthen compliance training of its staff, to emphasize and create a corporate compliance culture that, led by the example of its senior management, encourages full and active compliance by all of its employees. It intended to create corporate value through compliance and enhance staff's compliance awareness and risk management capacity in order to establish a corporate culture that values compliance operation.

XII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) Analysis and explanation of causes and effects of changes in terms of accounting policies, accounting estimates or accounting methods of the Board

Applicable Not applicable

(II) Analysis and explanation of the causes and effects of important corrections of early-stage errors of the Board

Applicable Not applicable

(III) Others

1. Change of joint company secretary

On 30 June 2015, the Company considered and passed the Resolution on Change of Joint Company Secretary at the seventh meeting (extraordinary meeting) of the sixth session of the Board through voting by correspondence. Ms. Lam Wai Yee Sophie submitted a written resignation to the Board to resign as a joint company secretary of the Company due to family reasons, with effect from 1 July 2015. Meanwhile, the Board of the Company appointed Mr. Chau Kwok Ming as a joint company secretary of the Company in replacement of Ms. Lam Wai Yee Sophie.

Section V SIGNIFICANT EVENTS

2. *Completion of capital increase of Haitong Capital Investment*

As considered and approved at the fifth meeting (extraordinary meeting) of the sixth session of the Board held by the Company in May 2015, it was resolved to make capital contribution of RMB1.3 billion to Haitong Capital Investment Co., Ltd. (“Haitong Capital Investment”). On 25 June 2015, Haitong Capital Investment obtained the new business license from the Shanghai Administration for Industry and Commerce, reflecting the successful completion of the capital increase. Upon such capital increase, the registered capital of Haitong Capital Investment increased to RMB7.3 billion.

3. *Issuance of offshore bonds by Haitong International Holdings*

On 21 April 2015, Haitong International Holdings, through its wholly-owned subsidiary, Haitong International Finance Holdings 2015 Limited, issued overseas the 3.5% U.S. dollar bonds in the amount of USD670 million with a term of five years.

4. *Successful issuance of the phase I asset-backed securities program by Haitong UniTrust International Leasing Corporation*

Haitong UniTrust International Leasing Corporation (“Haitong UniTrust Leasing”), a wholly-owned subsidiary of the Company, successfully issued the phase I asset-backed securities program of Haitong UniTrust Leasing with a size of RMB1,362 million in July 2015.

Section V SIGNIFICANT EVENTS

5. *First tranche of offshore bonds in 2015 of Haitong UT Group successfully issued in Hong Kong*

In July 2015, Haitong UT Capital Group Co., Limited (“Haitong UT Group”), a wholly-owned subsidiary of the Company, completed the issuance of its first tranche of offshore RMB bonds in 2015, being the third drawdown under its medium term note programme set up in 2014, with an issue size of RMB1.0 billion, maturity term of 3 years, and annual interest rate of 5.15%.

6. *Issuance of guaranteed bonds by Haitong International Securities Group*

In late January 2015, Haitong International Securities Group Limited, a subsidiary of the Company, completed the issuance of USD700 million 4.2% guaranteed bonds due 2020. Completion of the guaranteed bonds took place on 29 January 2015.

7. *Acquisition of Japaninvest Group plc by Haitong International Securities Group through its wholly-owned subsidiary*

The agreement between Haitong International (BVI) Limited, a wholly-owned subsidiary of Haitong International Securities Group Limited (a subsidiary of the Company), and Japaninvest Group plc (“Japaninvest”) in respect of acquiring Japaninvest came into effect in late March 2015. The acquisition was completed.

8. *Completion of rights issue and capital increase by Haitong International Securities Group*

Haitong International Securities Group, a subsidiary of the Company, conducted rights issue on the basis of one share for one share at the rights issue price of HK\$3.50 each in mid March 2015. Total amount of rights shares which had been effectively accepted and applied for is equivalent to 4.69 times of 2,533,453,008 rights shares available for subscription under the rights issue. The rights issue has been completed on 22 May 2015 which expanded the capital of Haitong International Securities Group.

Section V SIGNIFICANT EVENTS

9. Adoption of the new share option scheme by Haitong International Securities Group

At the extraordinary general meeting held on 8 June 2015, Haitong International Securities Group considered and approved the adoption of a new share option scheme, which was valid and effective for a period of 10 years commencing from the date of adoption.

10. Establishment of Haitong Xingtai (Anhui) Emerging Industrial Investment Fund

Haitong Capital Investment Co., Ltd., a wholly-owned subsidiary of the Company, jointly established Haitong Xingtai (Anhui) Emerging Industrial Investment Fund (Limited Partnership) with Hefei Xingtai Holding Group. The fund obtained business license on 8 April 2015 and its business scope covers equity investment, venture capital, asset management and investment advisory service.

Haitong Xingtai (Anhui) Emerging Industrial Investment Fund (Limited Partnership) is managed by Haitong Xinchuang Investment Management Co., Ltd. Haitong Xinchuang Investment Management Co., Ltd. is a holding subsidiary of Haitong Capital Investment Co., Ltd. with a registered capital of RMB50 million. Hefei Haitong Xingtai Emerging Industrial Investment Management Co., Ltd., a wholly-owned subsidiary of Haitong Xinchuang Investment Management Co., Ltd., acts as the general partner of Haitong Xingtai (Anhui) Emerging Industrial Investment Fund (Limited Partnership).

As of May 2015, Haitong Xingtai (Anhui) Emerging Industrial Investment Fund (Limited Partnership) and Haitong Xinchuang Investment Management Co., Ltd. have been established.

Section VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

Unit: share

	Before the change		Changes (+, -)					After the change	
	Number of shares	Percentage (%)	New issuance	Bonus shares	Transfer of capital reserve fund	Other	Sub-total	Number of shares	Percentage (%)
					into share capital				
I. Shares subject to trading moratorium									
1. Shares held by state	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal persons	-	-	-	-	-	-	-	-	-
3. Shares held by other domestic investors	-	-	-	-	-	-	-	-	-
Including: Shares held by domestic non state-owned legal persons	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by foreign legal persons	-	-	-	-	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-	-	-	-	-
II. Circulating shares not subject to trading moratorium									
1. RMB denominated ordinary shares	8,092,131,180	84.43	-	-	-	-	-	8,092,131,180	70.36
2. Foreign shares listed in the PRC	-	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,492,590,000	15.57	+1,916,978,820	-	-	-	+1,916,978,820	3,409,568,820	29.64
4. Others	-	-	-	-	-	-	-	-	-
III. Total	9,584,721,180	100.00	+1,916,978,820	-	-	-	+1,916,978,820	11,501,700,000	100.00

Section VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

2. *Particulars about changes in shares*

On 9 February 2015, the Company convened the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015, at which the Proposal on Issue of New H Shares by the Company was considered and approved. In May 2015, the Company received the Reply of Approving Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 811) issued by CSRC, which approves the Company to issue up to 1,916,978,820 overseas listed foreign shares (H Shares) with a nominal value of RMB1 each (all being ordinary shares). On 8 May 2015, the Company has obtained the approval for listing of, and permission to deal in, the new H Shares from the Hong Kong Stock Exchange. The Company completed the issuance of 1,916,978,820 new H Shares on 29 May 2015, among which completion in relation to 1,048,141,220 new H Shares took place on 15 May 2015 while completion in relation to 868,837,600 new H Shares took place on 29 May 2015. The Company's total share capital amounted to 9,584,721,180 shares before the issue of new H Shares and all of the Company's shareholders were not subject to trading moratorium, while the total share capital amounted to 11,501,700,000 shares after the issue of new H Shares, of which 8,092,131,180 were A Shares and 3,409,568,820 were H Shares and all of the Company's shareholders were not subject to trading moratorium.

3. *Effect of changes in shares on financial indicators such as earnings per share and net assets per share, if any, for the period from the end of the Reporting Period to the date of publication of the interim report*

There were no changes in the shares of the Company during the period from the end of the Reporting Period to the date of publication of this Report.

(II) **Changes in restricted shares**

All shares of the Company are circulating shares not subject to trading moratorium.

Section VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

II. PARTICULARS ABOUT SHAREHOLDERS

(I) Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period The total number of shareholders of the Company was 405,975, among which 405,540 were holders of A Shares and 435 were registered holders of H Shares

(II) The table below sets out the shareholdings of the top ten shareholders, the top ten shareholders of circulating shares (or shareholders not subject to trading moratorium) as at the end of Reporting Period

Unit: share

Name of shareholders (Full name)	Shareholdings of the top ten shareholders				Shares subject to pledge or freeze	Number	Nature of shareholders
	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium			
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	+1,917,014,923	3,409,192,023	29.64	0			Foreign legal person
Bright Food (Group) Co., Ltd.	-8,500,000	402,150,000	3.50	0	Pledged	210,000,000	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	0	400,709,623	3.48	0			State-owned legal person
Shenergy Group Company Limited	0	322,162,086	2.80	0			State-owned legal person
Shanghai Electric (Group) Corporation	+22,607,965	301,575,422	2.62	0			State
Industrial and Commercial Bank of China Limited – SWS MU CSI SW Securities Industry Index Structured Securities Investment Fund (申萬菱信中證申萬證券行業指數分級證券投資基金)	+84,682,308	237,629,373	2.07	0			Others
Shanghai Jiushi Corporation	0	235,247,280	2.05	0			State-owned legal person
Shanghai Bailian Group Co., Ltd.	0	214,471,652	1.86	0			Domestic non-state-owned legal person
Wenhui-Xinmin United Press Group	-3,500,000	160,829,853	1.40	0			State-owned legal person
SIC Shanghai (Holding) Co., Ltd.	0	137,840,039	1.20	0			State-owned legal person

Section VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of circulating shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	3,409,192,023	foreign shares listed overseas	3,409,192,023
Bright Food (Group) Co., Ltd.	402,150,000	RMB denominated ordinary shares	402,150,000
Shanghai Haiyan Investment Management Company Limited	400,709,623	RMB denominated ordinary shares	400,709,623
Shenergy Group Company Limited	322,162,086	RMB denominated ordinary shares	322,162,086
Shanghai Electric (Group) Corporation	301,575,422	RMB denominated ordinary shares	301,575,422
Industrial and Commercial Bank of China Limited – SWS MU CSI SW Securities Industry Index Structured Securities Investment Fund (申萬菱信申證申萬證券行業指數分級證券投資基金)	237,629,373	RMB denominated ordinary shares	237,629,373
Shanghai Jiushi Corporation	235,247,280	RMB denominated ordinary shares	235,247,280
Shanghai Bailian Group Co., Ltd.	214,471,652	RMB denominated ordinary shares	214,471,652
Wenhui-Xinmin United Press Group	160,829,853	RMB denominated ordinary shares	160,829,853
SIIC Shanghai (Holding) Co., Ltd.	137,840,039	RMB denominated ordinary shares	137,840,039

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

Section VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

III. CHANGES IN THE CONTROLLING SHAREHOLDERS OR ACTUAL CONTROLLERS

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

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

As at 30 June 2015, so far as the Directors, having made all reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO:

No.	Name of substantial shareholders	Type of shares	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/H Shares of the Company (%)	Long position (Note 4)/short Position (Note 5)/interest in lending pool
1.	Bright Food (Group) Co., Ltd.	A Shares	Beneficial owners (Note 1)	402,150,000	3.50	4.97	Long position
2.	Shanghai Haiyan Investment Management Company Limited	A Shares	Beneficial owners (Note 1)	400,709,623	3.48	4.95	Long position
3.	Dawn State Limited	H Shares	Beneficial owners (Note 2)	569,427,620	4.95	16.70	Long position
4.	Gatherrise Limited	H Shares	Interests in controlled corporation (Note 2)	569,427,620	4.95	16.70	Long position
5.	State Development & Investment Corporation	H Shares	Interests in controlled corporation (Note 2)	569,427,620	4.95	16.70	Long position
6.	SDIC Capital Holdings Co., Ltd.	H Shares	Interests in controlled corporation (Note 2)	569,427,620	4.95	16.70	Long position
7.	Haixia Capital Management Co., Ltd.	H Shares	Interests in controlled corporation (Note 2)	569,427,620	4.95	16.70	Long position
8.	Haixia Industry Investment Fund (Fujian) Limited Partnership	H Shares	Interests in controlled corporation (Note 2)	569,427,620	4.95	16.70	Long position
9.	Fujian Investment & Development Group Co., Ltd.	H Shares	Interests in controlled corporation (Note 2)	569,427,620	4.95	16.70	Long position
10.	Maunakai Capital Partners (Hong Kong) Limited	H Shares	Investment manager	496,878,800	4.32	14.57	Long position
11.	BSA Strategic Fund I	H Shares	Investment manager	496,478,800	4.31	14.56	Long position
12.	Insight Capital Management (Hong Kong) Limited	H Shares	Investment manager	223,415,200	1.94	6.55	Long position
13.	Insight Phoenix Fund	H Shares	Investment manager	223,415,200	1.94	6.55	Long position
14.	Shi Jing	H Shares	Interests in controlled corporation (Note 3)	248,000,000	2.16	7.27	Long position
15.	Shi Yuzhu	H Shares	Interests in controlled corporation (Note 3)	248,000,000	2.16	7.27	Long position
16.	Vogel Holding Group Limited	H Shares	Beneficial owners (Note 3)	248,000,000	2.16	7.27	Long position

Section VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

Note 1: According to the information disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk), an aggregate of 482,686,582 A Shares are held by Bright Food (Group) Co., Ltd., and an aggregate of 416,420,568 A Shares are held by Shanghai Haiyan Investment Management Company Limited. Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the shareholdings submitted to Hong Kong Stock Exchange;

Note 2: Such 569,427,620 shares represent the same block of shares;

Note 3: Such 248,000,000 shares represent the same block of shares;

Note 4: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares rises; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares rises; and

Note 5: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe for the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines.

Save as disclosed above, as at 30 June 2015, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

Section VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

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

As at 30 June 2015, according to the information obtained by the Company and so far as the Directors are aware, none of the Directors, Supervisors or chief executive of the Company had any interest and short positions in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

VI. REPURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

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

Section VII PREFERRED SHARES

During the Reporting Period, the Company did not have anything to report regarding preferred shares.

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

I. CHANGES IN SHAREHOLDING

(I) Changes in Shareholding of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period

Unit: share

Name	Position (Note)	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Changes in the number of shares during the Reporting Period	Reasons for changes
Liu Cheeming	Independent non-executive Director	0	1,000,000	+1,000,000	Increase of individual shareholding

Mr. Liu Cheeming, an independent non-executive Director of the Company, in aggregate purchased 1,000,000 H Shares during the period from 22 July 2015 to 24 July 2015. As at the date of this report, Mr. Liu Cheeming, as beneficial owner, held 1,000,000 H shares (long position), representing 0.01% and 0.03% of the total issued shares and total H Shares in issue of the Company, respectively, which has been notified to the Company and the Hong Kong Stock Exchange pursuant to the relevant requirements of the SFO.

(II) Equity Incentives Granted to Directors, Supervisors and Senior Management during the Reporting Period

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

Section VIII. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Position	Particulars of changes	Reasons for changes
Shen Tiedong	Director	Election	Mr. Shen Tiedong has been elected as a Director of the sixth session of the Board at the 2014 annual general meeting of the Company with effect from 8 June 2015, and his term of office will be the same as the sixth session of the Board
Yu Liping	Director	Election	Ms. Yu Liping has been elected as a Director of the sixth session of the Board at the 2014 annual general meeting of the Company with effect from 8 June 2015, and her term of office will be the same as the sixth session of the Board
Zhuang Guowei	Director	Resignation	Retirement
He Jianyong	Director	Resignation	Change at work
Shou Weiguang	Supervisor	Election	Mr. Shou Weiguang has been elected as a Supervisor of the sixth session of Supervisory Committee at the 2014 annual general meeting of the Company with effect from 8 July 2015, and his term of office will be the same as the sixth session of the Supervisory Committee
Song Shihao	Supervisor	Election	Mr. Song Shihao has been elected as an employee representative Supervisor of the sixth session of the Supervisory Committee at the fourth meeting of the third session of the employee representatives with effect from 8 July 2015, and his term of office will be the same as the sixth session of the Supervisory Committee
Dong Xiaochun	Supervisor	Resignation	Change at work
Jin Xiaobin	Board Secretary, Joint Company Secretary and Joint Authorized Representative	Resignation	Personal career development
Huang Zhenghong	Board Secretary, Joint Company Secretary and Joint Authorized Representative	Appointment	Appointment by the Board

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

1. Changes in Directors

On 27 March 2015, the Proposal on Change of Directors was considered and approved at the second meeting of the sixth session of the Board. Mr. Zhuang Guowei resigned as a Director of the sixth session of the Board and member of the development strategy and investment management committee and member of the nomination, remuneration and assessment committee of the Company due to age concern. Mr. He Jianyong resigned as a Director of the sixth session of the Board and member of the nomination, remuneration and assessment committee of the Company due to change at work, while Ms. Yu Liping and Mr. Shen Tiedong were appointed as Directors of the sixth session of the Board of the Company respectively. Such resolutions were considered and approved at the 2014 annual general meeting held on 8 June 2015 and their qualifications as Directors became effective on the same day.

As at 30 June 2015, the sixth session of the Board was composed of 13 Directors, including two executive Directors, namely Mr. Wang Kaiguo and Mr. Qu Qiuping; six non-executive Directors, namely Ms. Yu Liping, Mr. Chen Bin, Mr. Xu Chao, Mr. Wang Hongxiang, Ms. Zhang Xinmei and Mr. Shen Tiedong; five independent non-executive Directors, namely Mr. Liu Cheeming, Mr. Xiao Suining, Mr. Li Guangrong, Mr. Lyu Changjiang and Mr. Feng Lun. The Directors were all elected by the shareholders at the general meeting of the Company for a term of three years, which may be subject to re-elections.

2. Changes in Supervisors

On 9 July 2015, the Company issued the Announcement on the Resignation of Supervisor (announcement No.: Lin 2015-045), regarding the resignation of Mr. Dong Xiaochun as the Supervisor due to change at work. The Company also issued the announcement in relation to resignation of Supervisor on the website of Hong Kong Stock Exchange on the same date.

On 13 May 2015, the Proposal on Appointment of Supervisor was considered and approved at the fourth meeting (extraordinary meeting) of the sixth session of the Supervisory Committee to recommend Mr. Shou Weiguang to be the candidate of Supervisor of the sixth session of the Supervisory Committee. Such resolution was considered and approved at the 2014 annual general meeting held on 8 June 2015. On 8 June 2015, the Company issued an Announcement on Appointment of Employee Supervisor (announcement No.: Lin 2015-034) regarding the appointment of Mr. Song Shihao as employee representative Supervisor after consideration and approval by the fourth meeting of the third session of the employee representatives of the Company. The Company also issued the announcement in relation to appointment of employee representative Supervisor on the website of Hong Kong Stock Exchange on the same date. On 14 July 2015, the Company issued the Announcement on the Performance of Duties of Supervisors (announcement No.: Lin 2015-048), pursuant to which qualifications of Mr. Shou Weiguang and Mr. Song Shihao as supervisors of securities company were approved by securities regulatory authorities on 8 July 2015 and their appointment became effective from the same date. The Company also issued the announcement in relation to appointment of Supervisors on the website of Hong Kong Stock Exchange on the same date. On 21 July 2015, the Resolution on the Election of Chairman of the Supervisory Committee and the Resolution on Change of Supervisors were considered and approved by the fifth meeting (extraordinary meeting) of the sixth session of the Supervisory Committee to elect Mr. Shou Weiguang as the chairman of the sixth session of the Supervisory Committee and to recommend Ms. Zheng Xiaoyun to be the candidate of a Supervisor of the Supervisory Committee, and her qualification as Supervisor was subject to the approval of regulatory authorities and would take effects after being considered and passed at the general meeting.

Section VIII. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

As at 30 June 2015, the Supervisory Committee was composed of thirteen Supervisors, including eight non-employee representative Supervisors, namely, Mr. Shou Weiguang (effective from 8 July 2015), Mr. Lilin, Mr. Cheng Feng, Mr. Feng Huang, Mr. Xu Qi, Mr. Hu Jingwu, Mr. Chen Huifeng and Mr. Dong Xiaochun (resigned as Supervisor on 9 July 2015), and five employee representative Supervisors, namely, Mr. Yang Qingzhong, Ms. Qiu Xiaping, Ms. Wang Meijuan, Ms. Hu Hairong and Mr. Song Shihao (effective from 8 July 2015). Except for the employee representative Supervisors elected by the employee representatives meeting, non-employee representative Supervisors were elected by shareholders at the general meeting of the Company for a term of three years, which may be subject to re-elections.

3. Changes in senior management

On 28 April 2015, the Resolution on Change of Joint Company Secretary and Joint Authorized Representative of the Company was considered and passed at the fourth meeting of the sixth session of the Board. Mr. Jin Xiaobin no longer acted as a joint company secretary and a joint authorized representative and the Board secretary of the Company due to personal career development. The Board agreed to appoint Mr. Huang Zhenghong, the Board secretary, to be a joint company secretary and a joint authorized representative of the Company.

III. OTHER INFORMATION

(I) Dealings in Securities by Directors, Supervisors and Relevant Employees

The Company has adopted the standards as set out in the Model Code, as the code of conduct of the Company regarding securities transactions by the Directors, Supervisors and relevant employees. The Company, having made enquiries to all Directors and Supervisors, confirmed that they had been in compliance with the requirements of the Model Code, during the period from 1 January 2015 to 30 June 2015. No non-compliance with the Model Code by the relevant employees was identified by the Company.

(II) Material Changes in Relevant Information of Directors and Supervisors

Ms. Yu Liping, a Director, has served as the chairman of supervisory committee of Shanghai Yimin No. 1 Factory (Group) Co., Ltd. since 24 July 2015.

Mr. Xu Chao, a Director, ceased to serve as the executive managing director of Shanghai Electrical Industrial Company since March 2015, and served as the deputy chief economist of Shanghai Electric Group and the managing director of Shanghai Electric Hong Kong Co., Ltd.

Mr. Liu Cheeming, an independent non-executive Director, has been the independent supervisor of supervisory committee of Dalian Wanda Commercial Properties Co., Ltd. (Hong Kong listed company, stock code: 3699) since 26 May 2015.

Mr. Xu Qi, a Supervisor, ceased to serve as the chief financial officer of Shanghai Oriental Pearl (Group) Co., Ltd. since 18 June 2015 and has served as the general accountant of Shanghai Oriental Pearl Media Co., Ltd. since 19 June 2015.

According to Rule 13.51B of the Hong Kong Listing Rules, no other relevant information of the Directors and Supervisors has changed materially during the Reporting Period.

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

(III) Particulars about Service Contracts with Directors and Supervisors

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into a contract with each of the Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations and observation of the Articles of Association and provisions on arbitration. Save as disclosed above, the Company has not entered into, and does not propose to enter into any service contracts with any of the Directors or Supervisors in their respective capacity as a Director or Supervisor (other than contracts expiring or terminable by the employer within one year without the payment of compensation (other than statutory compensation)).

(IV) Employees and Remuneration Policy

As at the end of the Reporting Period, the Group had 7,966 employees, of whom 5,056 were from the Company, and 2,910 were from subsidiaries.

The Company emphasizes talent attraction, motivation, training and retention, and focuses on the external competitiveness of its remuneration level and the internal fairness of its remuneration system. The Company implements a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package generally comprises basic salary, performance bonus and benefits. Under the applicable laws and regulations in the PRC, the Company enters into a labor contract and establishes employment relationship with each of its employees. A labor contract contains the provisions relating to contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract.

Under the applicable laws and regulations of the PRC, the Company purchased various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing funds for its employees, and made social insurance and housing fund contributions in full in accordance with applicable regulations. Meanwhile, the Company also established a corporate annuity system which provides supplemental pension protection in accordance with applicable regulations.

Section IX FINANCIAL REPORT

- I. The 2015 Interim Report has been reviewed by Deloitte Touche Tohmatsu with the auditor's review report attached hereto.
- II. The Interim Financial Report (attached).

Section X DOCUMENTS AVAILABLE FOR INSPECTION

- I. The text of this Report with signature of the legal representative of the Company.
- II. The text of the interim financial report with signatures and seals of the legal representative of the Company and the chief financial officer and the person responsible for the accounting affairs.
- III. The text of the auditor's review report from Deloitte Touche Tohmatsu.
- IV. Original copies of all documents and notices disclosed on newspapers appointed by CSRC during the Reporting Period.
- V. Other relevant materials.

Section XI INFORMATION DISCLOSURE OF SECURITIES COMPANY

I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

(I) Administrative Licensing of Branches and Business Departments during the Reporting Period

As at 30 June 2015, the Company had 27 branch offices and 290 securities business departments.

New business departments	Relocation of business departments
19	11

1. Administrative licensing of new business departments during the Reporting Period

No.	Business department	Address	Approval document No.	Approval date	License obtained on
1	Business department of Haitong Securities Co., Ltd. in Gaoxin South Road Four, Shenzhen	6/F, ZTE R&D Building, No. 13, Gaoxin South Road Four, Nanshan District, Shenzhen	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	2 February 2015
2	Business department of Haitong Securities Co., Ltd. in Fucheng Street, Funing, Yancheng	No. 296, Fucheng Street, Funing County	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	2 February 2015
3	Business department of Haitong Securities Co., Ltd. in Fenghuang North Road, Huadu, Guangzhou	Room 418, Yongyu Garden Hotel, No. 41, Fenghuang North Road, Xinhua County, Huadu District, Guangzhou	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
4	Business department of Haitong Securities Co., Ltd. in Yingbin Avenue West, Jiangmen	Room 108, Oriental Plaza Building, No. 3, Yingbin Avenue West, Jiangmen	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
5	Business department of Haitong Securities Co., Ltd. in Junggar Road, Keramay	No. 220, Junggar Road (Building 8, New Word Commercial Street), Keramay, Xinjiang	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
6	Business department of Haitong Securities Co., Ltd. in Wanghai Road, Shenzhen	09/F, China Merchants Plaza, Wanghai Road, Shekou, Nanshan District, Shenzhen	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
7	Business department of Haitong Securities Co., Ltd. in Bayi South Street, Jinhua	2/F, A Area, Jinhua Commercial City, No. 288, Bayi South Street, Wucheng District, Jinhua, Zhejiang Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
8	Business department of Haitong Securities Co., Ltd. in Shuxi Street, Cangzhou	Room 104, Building 10, Sunshine International, Yunhe District, Cangzhou, Hebei Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
9	Business department of Haitong Securities Co., Ltd. in Shifu Avenue, Taizhou	No. 251-1 & 251-2, Shifu Avenue, Taizhou	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015

Section XI INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Business department	Address	Approval document No.	Approval date	License obtained on
10	Business department of Haitong Securities Co., Ltd. in Dongchang Road, Liaocheng	No. 10, Dongchang Road, Liaocheng Economic & Technological Development Area, Shandong Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
11	Business department of Haitong Securities Co., Ltd. in Feicui Road, Hefei	Room 301, Block 1, E2 Commercial Site, Zhonghuancheng, No. 2666, Shimen Road, Hefei Economic & Technological Development Area, Anhui Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	14 April 2015
12	Business department of Haitong Securities Co., Ltd. in Liedong Street, Sanming	Room 1701 & 1703, 17/F, Block 11, Mudan Xincun, Meilie District, Sanming, Fujian Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	14 April 2015
13	Business department of Haitong Securities Co., Ltd. in Wenhua West Street, Yinchuan	Room B07, 12/F, Block B, Yinchuan International Trade Center, No. 106, Wenhua West Street, Xingqing District, Yinchuan	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	14 April 2015
14	Business department of Haitong Securities Co., Ltd. in Wusi West Road, Xining	2/F, Block 1, No. 22, Wusi West Road, Chengxi District, Xining, Qinghai Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	15 April 2015
15	Business department of Haitong Securities Co., Ltd. in Fuwai Street, Beijing	A2010, No. 2, Fuchengmenwai Street, Xicheng District, Beijing	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	21 April 2015
16	Business department of Haitong Securities Co., Ltd. in Liangmaqiao Road, Beijing	S109A, Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	21 April 2015
17	Business department of Haitong Securities Co., Ltd. in Beiyi Road, Shihezi	No. 240, 4th Area, Beiyi Road, Shihezi, Xinjiang	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	21 April 2015
18	Business department of Haitong Securities Co., Ltd. in Qingchang Avenue, Fuqing	Room 1206, A2 Office Building, Wanda Plaza, Qingchang Avenue, Fuqing, Fuzhou, Fujian Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	21 April 2015
19	Business department of Haitong Securities Co., Ltd. in Longteng Middle Road, Longyan	Room 03, 2/F, Block 56-61, No. 488 (City Center Garden Phase 3), Longteng Middle Road, Xipi Town, Xinluo District, Longyan, Fujian Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	23 April 2015

Section XI INFORMATION DISCLOSURE OF SECURITIES COMPANY

2. Administrative licensing of relocation of business departments during the Reporting Period

No.	Name of business department before relocated	Name of business department after relocated	New address	License obtained on
1	Business department of Haitong Securities Co., Ltd. in Benxi Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Zhengben Road, Yangpu District, Shanghai	No. 141, Zhengben Road, Yangpu District, Shanghai	7 January 2015
2	Business department of Haitong Securities Co., Ltd. in Dongzhi Road, Harbin	Business department of Haitong Securities Co., Ltd. in Yiman Street, Harbin	No. 80, Yiman Street, Nangang District, Harbin, Heilongjiang Province	19 January 2015
3	Business department of Haitong Securities Co., Ltd. in Youxian District, Mianyang	Business department of Haitong Securities Co., Ltd. in Changhong Avenue, Mianyang	No. 21 (2/F, Block 4, Future City), North Section of Changhong Avenue, Fucheng District, Mianyang	28 January 2015
4	Business department of Haitong Securities Co., Ltd. in Xietu Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Weiqing West Road, Jinshan District, Shanghai	No. 612, Weiqing West Road, Jinshan District, Shanghai	13 February 2015
5	Business department of Haitong Securities Co., Ltd. in Renmin Middle Road, Nantong	Business department of Haitong Securities Co., Ltd. in Renmin Middle Road, Nantong	No.180, Renmin Middle Road, Nantong, Jiangsu Province	15 February 2015
6	Business department of Haitong Securities Co., Ltd. in Wulan Street, Songyuan	Business department of Haitong Securities Co., Ltd. in Wulan Street, Songyuan	No. 2356, Wulan Street, Ningjiang District, Songyuan, Jilin Province	24 March 2015
7	Business department of Haitong Securities Co., Ltd. in Changsheng Street, Shuangcheng, Harbin	Business department of Haitong Securities Co., Ltd. in Longhua Street, Shuangcheng, Harbin	Shangfu No. 28, 29, 30, 2/F, Block 11, Century Modern City, Longhua Street, Shuangcheng, Harbin, Heilongjiang Province	8 April 2015
8	Business department of Haitong Securities Co., Ltd. in Taishan South Road, Zaozhuang	Business department of Haitong Securities Co., Ltd. in Yanshan Road, Zaozhuang	Room 22, Building 1, D Area, Yanshan International, Yanshan Road, Xuecheng, Zaozhuang	29 April 2015
9	Business department of Haitong Securities Co., Ltd. in Danjin Road, Danyang	Business department of Haitong Securities Co., Ltd. in Dongfang Road, Danyang	Shop No. 5, 6, Block 2, Dongfangjiayuan, Dongfang Road, Danyang, Jiangsu Province	20 May 2015
10	Business department of Haitong Securities Co., Ltd. in Yuyang, Yulin	Business department of Haitong Securities Co., Ltd. in Yuyang, Yulin	No. 01, 3/F, No. 112 Shangjun North Road, Yuyang District, Yulin	25 May 2015
11	Business department of Haitong Securities Co., Ltd. in Tongjiang Street, Harbin	Business department of Haitong Securities Co., Ltd. in Tongjiang Street, Harbin	No. 218, Tongjiang Street, Daoli District, Harbin	26 May 2015

Section XI INFORMATION DISCLOSURE OF SECURITIES COMPANY

(II) Administrative licensing of appointment of Directors, Supervisors and branch managers

No.	Date	Contents
1	March 2015	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Huang Zhenghong as senior management of securities company" (Hu Zheng Jian Xu Ke [2015] No. 46) to the Company, approving qualification of Huang Zhenghong as senior management of securities company.
2	May 2015	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Shen Tiedong as director of securities company" (Hu Zheng Jian Xu Ke [2015] No. 66) to the Company, approving qualification of Shen Tiedong as director of securities company.
3	May 2015	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Yu Liping as director of securities company" (Hu Zheng Jian Xu Ke [2015] No. 67) to the Company, approving qualification of Yu Liping as director of securities company.
4	July 2015	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Shou Weiguang as chairman of securities company" (Hu Zheng Jian Xu Ke [2015] No. 80) to the Company, approving qualification of Shou Weiguang as chairman of the supervisory committee of securities company.
5	July 2015	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Song Shihao as supervisor of securities company" (Hu Zheng Jian Xu Ke [2015] No. 81) to the Company, approving qualification of Song Shihao as supervisor of securities company.

Section XI INFORMATION DISCLOSURE OF SECURITIES COMPANY

(III) Other administrative permissions

<u>Date</u>	<u>Business qualification</u>	<u>Approval organization</u>	<u>Title of approval document</u>	<u>No. of approval document</u>
19 January 2015	Business qualification for options settlement	China Securities Depository and Clearing Corporation Limited	Reply Letter on Business Qualification for Options Settlement	(Zhong Guo Jie Suan Han Zi [2015] No. 20)
28 January 2015	Qualification for the stock options market making business	CSRC	Approval relating to the Qualification of the Stock Options Market Making Business of Haitong Securities Co., Ltd.	(Zheng Jian Xu Ke [2015] No. 153)
30 January 2015	Principal market maker in SSE 50 ETF options contracts	Shanghai Stock Exchange	Notice relating to the Commencement of the SSE 50 ETF Options Market Making Business of Haitong Securities Co., Ltd.	(Shang Zheng [2015] No. 214)
May 2015	Futures membership certificate	China Futures Association	Related Matters on the Completion of Replacement of the Membership Certificate by China Futures Association	Certificate No.: NO.G02008
4 May 2015	Qualification for offshore proprietary business	CSRC	Reply Regarding Relevant Matters of the Commencement of Offshore Proprietary Business by Haitong Securities	(Ji Gou Bu Han [2015] No. 1204)
1 June 2015	No Comment Letter on Innovative Program of One-way Video Account Opening	China Securities Depository and Clearing Corporation Limited	No Comment Letter on Innovative Program of One-way Video Account Opening of Haitong Securities	(Zhong Guo Jie Suan Ban Zi [2015] No. 461)

Section XI INFORMATION DISCLOSURE OF SECURITIES COMPANY

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2015, the Company was rated as a “Grade A, Category AA” company.

Wang Kaiguo
Chairman
Haitong Securities Co., Ltd.

27 August 2015

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. **德勤**

TO THE BOARD OF DIRECTORS OF
HAITONG SECURITIES CO., LTD.

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 82 to 160, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2015, and certain explanatory notes. The Main Board Listing 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" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 these condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
	<i>NOTES</i>		
Revenue			
Commission and fee income	4	11,384,597	3,309,902
Interest income	5	9,012,845	3,183,907
Net investment gains	6	7,606,183	2,173,169
Total revenue		28,003,625	8,666,978
Other income and gains	7	2,073,943	250,254
Total revenue and other income		30,077,568	8,917,232
Depreciation and amortisation	8	(141,937)	(143,437)
Staff costs		(3,803,985)	(1,659,219)
Commission to account executives		(584,405)	(173,048)
Brokerage transaction fees and other services expenses	9	(1,609,779)	(277,267)
Interest expenses	10	(5,801,783)	(1,657,577)
Other expenses		(4,351,649)	(1,183,859)
Total expenses		(16,293,538)	(5,094,407)
Share of results of associates and joint ventures		168,831	36,893
Profit before income tax	11	13,952,861	3,859,718
Income tax expense	12	(3,024,206)	(842,791)
Profit for the period		10,928,655	3,016,927
Attributable to:			
Owners of the Company		10,154,714	2,877,518
Non-controlling interests		773,941	139,409
		10,928,655	3,016,927
Earnings per share (Expressed in RMB per share)			
– Basic	13	1.03	0.30
– Diluted	13	1.02	0.30

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Profit for the period	10,928,655	3,016,927
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments		
Net fair value changes during the period	1,794,264	80,067
Reclassification adjustment to profit or loss on disposal	(425,726)	36,569
Income tax relating to components of other comprehensive income	(329,662)	(31,312)
Share of revaluation gains of associates	18,177	14,994
Subtotal	1,057,053	100,318
Exchange differences arising on translation	(2,153)	42,363
Other comprehensive income for the period (net of tax)	1,054,900	142,681
Total comprehensive income for the period	11,983,555	3,159,608
Attributable to:		
Owners of the Company	11,173,816	3,014,225
Non-controlling interests	809,739	145,383
	11,983,555	3,159,608

The accompanying notes presented on pages 89 to 160 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	NOTES	30.6.2015 RMB'000 (unaudited)	31.12.2014 RMB'000 (audited)
Non-current assets			
Property and equipment	14	1,211,596	1,210,145
Investment properties		19,852	20,455
Goodwill	15	2,748,579	2,600,616
Other intangible assets		260,450	254,785
Investments accounted for using equity method	16	6,192,141	5,686,141
Finance lease receivables	17	14,452,973	12,826,397
Held-to-maturity investments	18	73,181	309,816
Available-for-sale investments	19	9,624,963	8,714,786
Loan and receivable investments	20	3,483,416	4,470,404
Deferred tax assets	40	903,174	566,817
Restricted bank deposits	29	409,570	384,473
Financial assets held under resale agreements	25	18,478,579	10,292,634
Other assets	21	268,340	131,233
Financial assets at fair value through profit or loss	26	1,606,769	1,527,382
Total non-current assets		59,733,583	48,996,084
Current assets			
Loans and advances to customers	22	142,611,279	64,883,359
Accounts receivable	23	7,766,900	4,384,354
Finance lease receivables	17	8,917,243	7,399,072
Other receivables and prepayments	24	3,142,060	2,453,972
Available-for-sale investments	19	7,347,502	3,990,608
Loan and receivable investments	20	5,297,164	3,347,033
Held-to-maturity investments	18	20,656	3,006
Financial assets held under resale agreements	25	59,910,150	52,873,455
Placements to banks and other financial institutions		–	2,000,000
Financial assets at fair value through profit or loss	26	65,697,211	56,273,055
Deposits with exchanges	27	7,357,794	5,495,664
Clearing settlement funds	28	28,458,209	14,818,876
Bank balances and cash	29	233,489,656	85,703,611
Total current assets		570,015,824	303,626,065
Total assets		629,749,407	352,622,149
Current liabilities			
Borrowings	31	28,265,151	19,807,574
Short-term financing bills payables	32	36,188,505	22,926,586
Placements from banks and other financial institutions	33	8,480,000	14,270,000
Accounts payable to brokerage clients	34	184,614,818	80,766,843
Other payables and accruals	35	14,099,464	7,697,576
Provisions		1,500	2,493
Tax liabilities		2,140,991	816,775
Financial assets sold under repurchase agreements	36	112,482,245	59,807,864
Financial liabilities at fair value through profit or loss	38	20,691,891	15,028,545
Bond payables	41	4,756,619	–
Total current liabilities		411,721,184	221,124,256
Net current assets		158,294,640	82,501,809
Total assets less current liabilities		218,028,223	131,497,893

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Equity			
Share capital	39	11,501,700	9,584,721
Capital reserve		56,341,734	32,383,596
Investment revaluation reserve		1,426,228	407,434
Translation reserve		(361,237)	(361,545)
General reserves		9,798,570	9,792,774
Retained profits		23,830,944	16,557,451
Equity attributable to owners of the Company		102,537,939	68,364,431
Non-controlling interests		8,942,898	3,899,772
Total equity		111,480,837	72,264,203
Non-current liabilities			
Deferred tax liabilities	40	1,661,098	758,197
Bond payables	41	86,274,567	35,775,667
Long-term borrowings	31	7,399,389	4,537,684
Long-term payables	42	2,132,899	1,941,119
Financial assets sold under repurchase agreements	36	7,834,110	14,910,000
Financial liabilities at fair value through profit or loss	38	1,015,718	1,008,065
Other payables and accruals	35	229,605	302,958
Total non-current liabilities		106,547,386	59,233,690
Total equity and non-current liabilities		218,028,223	131,497,893

This unaudited condensed consolidated financial statements on pages 82 to 160 was approved for issue by the Board of Directors on 27 August 2015 and signed on its behalf by:

WANG Kaiguo
Chairman of Board

QU Qiuping
Executive Director and
General Manager

LI Chuqian
Chief Financial Officer

The accompanying notes presented on pages 89 to 160 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company							Non-controlling interests			Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000	Share option reserve of subsidiaries RMB'000	Total RMB'000	
Unaudited											
At 1 January 2015 (audited)	9,584,721	32,383,596	407,434	(361,545)	9,792,774	16,557,451	68,364,431	3,894,370	5,402	3,899,772	72,264,203
Profit for the period	-	-	-	-	-	10,154,714	10,154,714	773,941	-	773,941	10,928,655
Other comprehensive income for the period	-	-	1,018,794	308	-	-	1,019,102	35,798	-	35,798	1,054,900
Total comprehensive income for the period	-	-	1,018,794	308	-	10,154,714	11,173,816	809,739	-	809,739	11,983,555
Shares issued	1,916,979	23,958,225	-	-	-	-	25,875,204	-	-	-	25,875,204
Contribution from non-controlling interests (Note b)	-	32,268	-	-	-	-	32,268	4,287,470	-	4,287,470	4,319,738
Acquisition of a subsidiary	-	-	-	-	-	-	-	141,500	-	141,500	141,500
Purchase of Shares held under the share award scheme of a listed subsidiary	-	-	-	-	-	-	-	(55,202)	-	(55,202)	(55,202)
Changes of equity interests in subsidiaries	-	(32,355)	-	-	-	-	(32,355)	(50,357)	-	(50,357)	(82,712)
Transfer to general reserve	-	-	-	-	5,796	(5,796)	-	-	-	-	-
Cash dividend recognised as distribution (note 45)	-	-	-	-	-	(2,875,425)	(2,875,425)	-	-	-	(2,875,425)
Cash dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(99,030)	-	(99,030)	(99,030)
Share options granted by a subsidiary	-	-	-	-	-	-	-	-	9,006	9,006	9,006
At 30 June 2015	11,501,700	56,341,734	1,426,228	(361,237)	9,798,570	23,830,944	102,537,939	8,928,490	14,408	8,942,898	111,480,837
Unaudited											
At 1 January 2014 (audited)	9,584,721	32,383,071	163,065	(413,634)	8,009,216	11,780,552	61,506,991	2,592,765	5,402	2,598,167	64,105,158
Profit for the period	-	-	-	-	-	2,877,518	2,877,518	139,409	-	139,409	3,016,927
Other comprehensive income for the period	-	-	106,183	30,524	-	-	136,707	5,974	-	5,974	142,681
Total comprehensive income for the period	-	-	106,183	30,524	-	2,877,518	3,014,225	145,383	-	145,383	3,159,608
Changes of equity interests in subsidiaries	-	(24,158)	-	-	-	-	(24,158)	176,524	-	176,524	152,366
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	644,501	-	644,501	644,501
Cash dividend recognised as distribution (note 45)	-	-	-	-	-	(1,150,166)	(1,150,166)	-	-	-	(1,150,166)
Cash dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(117,145)	-	(117,145)	(117,145)
At 30 June 2014	9,584,721	32,358,913	269,248	(383,110)	8,009,216	13,507,904	63,346,892	3,442,028	5,402	3,447,430	66,794,322

Note:

- Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares and (ii) the difference between the considerations paid or received over the proportionate share of net assets attributable to the changes of the Group's equity interest in subsidiaries without loss of control.
- Contribution from non-controlling interests comprise the contribution under rights issued by a listed subsidiary, the conversion of convertible bonds issued by a listed subsidiary and the exercise of share options issued by a listed subsidiary.

The accompanying notes presented on pages 89 to 160 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	13,952,861	3,859,718
Adjustments for:		
Interest expenses	5,801,783	1,657,577
Share of results of associates and joint ventures	(168,831)	(36,893)
Depreciation and amortisation	141,937	143,437
Provision for impairment loss in respect of receivables	543,570	74,912
Gain on other bond investments and held-to-maturity investments	(452,305)	(168,739)
Loss/(gain) on disposal of property and equipment and other intangible assets	5,436	(851)
Expense incurred for equity based share payment of a subsidiaries	9,006	-
Gain on partial disposal of an associate	(99,314)	-
Foreign exchange (gains)/losses, net	(342,986)	7,800
Net gains arising from available-for-sale investments	(602,883)	(225,612)
Operating cash flows before movements in working capital	18,788,274	5,311,349
Increase in deposits and reserve funds and deposits with exchanges	(2,023,646)	(1,217,014)
Increase in advances to customers	(77,861,827)	(6,046,075)
Increase in accounts and other receivables and prepayments	(4,218,447)	(5,952,338)
Increase in financial assets held under resale agreements	(15,282,243)	(5,751,746)
Decrease in placement to banks and other financial institutions	2,000,000	-
Increase in financial assets at fair value through profit or loss	(9,580,852)	(3,482,073)
Increase in restricted bank deposits	(421,487)	(22,229)
Increase in cash held on behalf of clients	(106,278,262)	(4,949,013)
Increase in finance lease receivables	(3,431,896)	(2,581,984)
Increase in accounts payable to brokerage clients and other payables and accruals	108,338,885	6,444,397
Increase in financial liabilities at fair value through profit or loss	5,670,999	2,419,489
Increase in financial assets sold under repurchase agreements	45,598,491	7,957,000
(Decrease)/increase in deposits taken from banks and other financial institutions	(5,790,000)	3,000,000
Decrease in provisions	(993)	(247)
Cash used in operations	(44,493,004)	(4,870,484)
Income taxes paid	(1,462,368)	(700,633)
Interest paid	(2,619,018)	(546,840)
NET CASH USED IN OPERATING ACTIVITIES	(48,574,390)	(6,117,957)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	NOTE	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
INVESTING ACTIVITIES			
Dividends received from associates and other investments		75,995	53,240
Purchases of property and equipment and other intangible assets		(172,468)	(113,977)
Proceeds on disposal of property and equipment		425	2,574
Purchase of investments accounted for using equity method		(551,257)	–
Proceeds from partial disposal of an associate		423,935	1,287
Other cash received from investing activities		249,848	397,368
Net increase in available-for-sale investments		(2,075,879)	(458,957)
Net cash flows from business combination	51	(137,589)	(3,784,038)
Payment for other investment activities		(593,482)	(1,729,293)
NET CASH USED IN INVESTING ACTIVITIES		(2,780,472)	(5,631,796)
FINANCING ACTIVITIES			
Dividends paid		(2,881,656)	(1,221,453)
Proceeds from transactions with non-controlling interests		–	153,735
Purchase of additional interests in subsidiaries		(82,712)	–
Proceeds from H shares issued		25,972,690	–
Proceeds from shares issued of a subsidiary		2,948,029	644,501
Proceeds from short term bonds, non-convertible bonds and others		140,093,569	6,296,392
Borrowings raised		14,679,402	13,179,271
Interest paid for borrowings and bonds		(1,335,443)	(589,430)
Proceeds from share issued upon exercise of share options		67,578	–
Purchase of shares held under the share award scheme		(55,202)	–
Repayment of borrowings, short-term bonds, non-convertible bonds and others		(73,577,986)	(6,663,863)
Issuance cost paid for short-term bonds, non-convertible bonds and others		(68,265)	–
NET CASH FROM FINANCING ACTIVITIES		105,760,004	11,799,153
NET INCREASE IN CASH AND CASH EQUIVALENTS		54,405,142	49,400
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD			
Effect of foreign exchange rate changes		24,339,194	20,372,606
		345,584	9,827
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	30	79,089,920	20,431,833
Total interest paid		(3,954,461)	(1,136,270)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION OF THE GROUP

The Company was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People's Bank of China in September 1994 and had changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the "CSRC"). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company's merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year, with its listing reference name changed to "Haitong Securities". On 27 April 2012, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, direct investment, finance lease and providing investment advisory and consultancy services.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed consolidated financial statements of the Group should be read in conjunction with its 2014 annual financial statements.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Application of amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB, which are applicable for the Group's financial year beginning on 1 January 2015.

Amendments to IAS 19	Defined benefit plans: Employee contributions
Amendments to IFRSs	Annual improvements to IFRSs 2010 – 2012 cycle
Amendments to IFRSs	Annual improvements to IFRSs 2011 – 2013 cycle

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Except for the new amendments to IFRSs mentioned above, the significant accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the 2014 Annual Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The key sources of estimation uncertainty used in the condensed consolidated financial statement for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

4. COMMISSION AND FEE INCOME

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Commission on securities dealing and broking and handling fee income	8,696,597	1,943,933
Commission on futures and options contracts dealing and broking and handling fee income	280,634	159,487
Financial advisory and consultancy fee income	405,615	139,057
Underwriting and sponsor's fees	747,049	681,515
Asset management fee income (including fund management income)	1,239,782	381,613
Commission on bullion contracts dealing	723	681
Others	14,197	3,616
	11,384,597	3,309,902

5. INTEREST INCOME

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Bank interest income	1,396,613	944,577
Interest income from finance leases	950,529	656,476
Interest income from advances to customers	4,399,808	1,138,701
Interest income from financial assets held under resale agreements (note)	2,210,795	423,783
Other interest income	55,100	20,370
	9,012,845	3,183,907

Note: In the current period, interest income from financial assets held under resale agreements includes the interest income from securities repo under "Circular on Promulgating the Measures on the Trading, Registration and Settlement of Agreed Repurchase Securities" issued by Shanghai Stock Exchange, which amounted to RMB73,003,000 (2014: RMB117,778,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. NET INVESTMENT GAINS

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Net gains arising from available-for-sale investments	602,883	225,612
Net gains arising from financial assets/liabilities at fair value through profit or loss	3,640,955	964,114
Gain on partial disposal of an associate	99,314	–
Fair value change of financial instruments at fair value through profit or loss	2,798,784	810,848
Gains from fair value hedge (Note 37)	11,829	23,960
Net gains arising from loan and receivable investments and others	452,418	148,635
	7,606,183	2,173,169

7. OTHER INCOME AND GAINS

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Non-recurring government grants (note)	194,883	123,014
Rental income from investment properties	4,704	7,236
Foreign exchange gains/(losses), net	342,986	(7,800)
Revenue arising from commodity trading and others	1,531,370	127,804
	2,073,943	250,254

Note: The non-recurring government grants were received unconditionally by the Company and its subsidiaries from their respective local governments where they reside. The main purpose is to subsidise the operation of these entities.

8. DEPRECIATION AND AMORTISATION

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Depreciation for property and equipment	114,251	111,859
Depreciation for investment properties	603	1,664
Amortisation of other intangible assets	26,831	29,662
Amortisation of prepaid lease payments	252	252
	141,937	143,437

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Securities and futures dealing and broking expenses	1,572,646	242,048
Services expenses for underwriting, sponsorship, financial advisory and others	37,133	35,219
	1,609,779	277,267

10. INTEREST EXPENSES

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Bank loans and overdrafts	882,208	349,056
Placement from banks and other financial institutions	80,519	63,912
Financial assets sold under repurchase agreements (note)	2,466,714	538,197
Accounts payable to brokerage clients	185,436	52,191
Placement from China Securities Finance Corporation Ltd.	202,472	39,814
Bond payables	1,869,200	614,344
Others	115,234	63
	5,801,783	1,657,577

Note: In the current period, interest expenses from financial assets sold under repurchase agreements includes the interest expenses from bond-pledged repo in stock exchange, amounting to RMB19,169,000 (2014: RMB22,098,000).

11. PROFIT BEFORE INCOME TAX

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
The Group's profit before income tax is arrived at after charging (crediting):		
Impairment loss in respect of loan and receivable investments included in other expenses	51,781	–
Impairment loss in respect of finance lease receivables included in other expenses	287,149	74,872
Impairment loss in respect of loans and advances to customers included in other expenses	133,907	–
Impairment loss in respect of financial assets held under resale agreements included in other expenses	59,603	–
Impairment loss in respect of receivables and others included in other expenses	11,130	40
Loss/(gain) on disposal of property and equipment and other intangible assets	5,436	(851)
Operating lease rentals in respect of rented premises	156,396	151,240

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

12. INCOME TAX EXPENSE

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	2,449,233	576,369
Hong Kong Profits Tax	340,116	47,804
	2,789,349	624,173
Adjustments to current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	(2,877)	(5,551)
Hong Kong Profits Tax	65	–
	(2,812)	(5,551)
Deferred tax	237,669	224,169
	3,024,206	842,791

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is as follows:

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	10,154,714	2,877,518
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds (note i)	8,361	15,496
Adjustment to the share of profit of subsidiaries based on dilution of its earnings per share (note i, ii)	(76,934)	(29,141)
Earnings for the purpose of diluted earnings per share	10,086,141	2,863,873
Weighted average number of shares for basic and diluted earnings per share:		
Number of shares in issue (in thousand)	9,904,218	9,584,721
Basic earnings per share (Expressed in RMB per share)	1.03	0.30
Diluted earnings per share (Expressed in RMB per share)	1.02	0.30

Notes:

- (i) On 18 July 2013, 10 October 2013 and 4 November 2014, a listed subsidiary of the Company, issued convertible bonds of HKD776 million, HKD232 million and HKD1,164 million respectively (Details are set out in Note 41). These convertible bonds created a potential dilutive effect to the basic earnings per share. In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares of the subsidiary.
- (ii) On 16 January 2015, the management of a subsidiary were granted 85,980,375 of share options on the shares of the subsidiary. As at 30 June 2015, 25% of the stock options were exercisable. These share options created a potential dilutive effect to the basic earnings per share. In the calculation of the diluted earnings per share, the stock options are assumed to have been exercised during the period.

The computation of diluted earnings per share assumed the exercise of a listed subsidiary's outstanding share options with the exercise price lower than the average market price during the period ended 30 June 2015 and with the adjustment for the share options lapsed or exercised during the period.

As the exercise price of the listed subsidiary's share options was above the average share price of the listed subsidiary during the period ended 30 June 2014, the share options have no effect of dilutive potential ordinary shares the prior period ended.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

14. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Unaudited							
COST							
As at 1 January 2015	1,094,502	680,891	818,426	171,367	143,758	27,943	2,936,887
Arising from acquisition of a subsidiary	-	-	-	-	1,786	-	1,786
Additions during the period	-	13,086	56,843	7,637	6,355	32,683	116,604
Disposals during the period	(63)	-	(29,624)	(4,062)	(4,074)	-	(37,823)
Transfer during the period	-	4,955	43,150	-	21	(48,126)	-
Exchange difference	(1)	-	(26)	(1)	(10)	-	(38)
As at 30 June 2015	1,094,438	698,932	888,769	174,941	147,836	12,500	3,017,416
ACCUMULATED DEPRECIATION							
As at 1 January 2015	327,908	542,042	618,295	108,412	99,703	-	1,696,360
Provided for the period	16,032	32,544	48,530	9,155	7,990	-	114,251
Eliminated on disposals	(32)	-	(28,052)	(3,904)	(3,156)	-	(35,144)
Exchange difference	-	-	(22)	-	(7)	-	(29)
As at 30 June 2015	343,908	574,586	638,751	113,663	104,530	-	1,775,438
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2015 and 30 June 2015	30,382	-	-	-	-	-	30,382
CARRYING VALUES							
As at 30 June 2015	720,148	124,346	250,018	61,278	43,306	12,500	1,211,596

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

14. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Audited							
COST							
As at 1 January 2014	1,012,010	627,474	730,124	165,014	131,255	4,440	2,670,317
Arising from acquisition of subsidiary	-	3,561	1,818	411	1,362	-	7,152
Additions during the year	-	22,022	84,033	21,370	12,404	56,607	196,436
Net transfer in from investment properties	82,484	-	-	-	-	-	82,484
Disposals during the year	-	-	(3,048)	(15,432)	(1,372)	-	(19,852)
Transfer during the year	-	27,834	5,259	-	11	(33,104)	-
Exchange difference	8	-	240	4	98	-	350
As at 31 December 2014	1,094,502	680,891	818,426	171,367	143,758	27,943	2,936,887
ACCUMULATED DEPRECIATION							
As at 1 January 2014	278,347	467,925	535,430	104,275	82,354	-	1,468,331
Provided for the year	30,275	74,117	82,685	18,879	17,332	-	223,288
Net transfer in from investment properties	19,285	-	-	-	-	-	19,285
Eliminated on disposals	-	-	(41)	(14,745)	(68)	-	(14,854)
Exchange difference	1	-	221	3	85	-	310
As at 31 December 2014	327,908	542,042	618,295	108,412	99,703	-	1,696,360
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2014 and 31 December 2014	30,382	-	-	-	-	-	30,382
CARRYING VALUES							
As at 31 December 2014	736,212	138,849	200,131	62,955	44,055	27,943	1,210,145

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. GOODWILL

Cost

	30.6.2015 <i>RMB'000</i> (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
At beginning of the period/year	2,600,616	623,072
Additional amount in respect of business combination (Note 51)	149,476	1,968,860
Exchange adjustments	(1,513)	8,684
At end of the period/year	2,748,579	2,600,616

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	30.6.2015 <i>RMB'000</i> (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Joint ventures:		
Cost of unlisted investments in joint ventures	2,308,120	1,779,113
Share of post-acquisition profits and other comprehensive income, net of dividends received	51,868	15,222
Associates:		
Cost of unlisted investments in associates	3,371,697	3,507,070
Share of post-acquisition profits and other comprehensive income, net of dividends received	460,456	384,736
	6,192,141	5,686,141

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

The Group has the following investments accounted for using equity method:

Name of entity	Place of establishment	Class of share held	Equity interest held by the Group		Principal activities
			As at 30 June 2015	As at 31 December 2014	
Joint ventures					
Haitong-AC Asian Special Opportunities Fund	Cayman Islands	Participating Management	42.04% 50%	43.6% 50%	Investment holding
New Bridge China Auto Caymans L.P. ("New Bridge")	Cayman Islands	Limited partnership	38.9%	38.9%	Investing in securities
Harveston Asset Management Pte. Ltd	Singapore	Ordinary	50%	50%	Fund management
Haitong Special Opportunities Fund I S.P. (note i)	Cayman Islands	Non-participating Management	100% 50%	N/A N/A	Investment holding
Haitong China Select Investment Fund S.P. (note i)	Cayman Islands	Non-participating Management	100% 50%	N/A N/A	Investment holding
Haitong Multi-Tranche Investment Fund II S.P. (note i)	Cayman Islands	Non-participating (Class P)	67.25%	–	Investment holding
		Non-participating (Class R)	99.4%	–	
		Management	50%	–	
Associates					
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	Ordinary	27.775%	27.775%	Provision of fund trading distribution services
吉林省現代農業和新興產業投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	Ordinary	37.5%	37.5%	Investing in securities
西安航天新能源產業基金投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	Ordinary	37%	37%	Investing in securities
上海文化產業股權投資基金合夥企業(有限合夥) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	Ordinary	42.32%	42.83%	Investing in securities
山東華安新材料有限公司 Shandong Hua'an New Material Co., Ltd*	PRC	Ordinary	21.71%	21.71%	Manufacturing
Trinitus Asset Management Limited	Hong Kong	Ordinary	20%	20%	Investment management services

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Class of share held	Equity interest held by the Group		Principal activities
			As at 30 June 2015	As at 31 December 2014	
Associates (continued)					
Diamond Head Capital International, Ltd Class E	Cayman Islands	Ordinary	28.35%	28.35%	Investment holding
上海併購股權投資基金合夥企業 (有限合夥) Shanghai Equity Investment Fund Limited Partnership*	PRC	Ordinary	33.68%	37.12%	Investing in securities
海通(吉林)現代服務業創業投資基金合夥企業(有限合夥) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	Ordinary	34.71%	34.71%	Investing in securities
西安海創之星創業投資有限合夥企業 Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership*	PRC	Ordinary	15.37%	37.9%	Investing in securities
Haitong CSI300 Index ETF (note ii)	Hong Kong	Non-participating	17.5%	31.9%	Investing in securities
海通興泰(安徽)新興產業投資基金(有限合夥) Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)* (note iii)	PRC	Ordinary	27.96%	–	Investing in equity; Investment management services

* The English translated name is for identification only.

Except for Haitong CSI300 Index ETF, both joint ventures and associates are unlisted entities without quoted market price available.

As at 30 June 2015, the fair value of the Group's interest in Haitong CSI300 Index ETF, which is listed on The Stock Exchange of Hong Kong Limited, was RMB93 million (2014: RMB239 million) based on the quoted market price available on The Stock Exchange of Hong Kong Limited, which is a level 1 input in terms of IFRS 13.

All of these associates and joint ventures are accounted for using the equity method in these unaudited condensed consolidated financial statements. The directors consider the above joint ventures and associates are not significant to the Group's unaudited condensed consolidated financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

16 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Notes:

- (i) During the current period from 1 January 2015 to 28 June 2015, the directors assessed that the Group's interest in Haitong Special Opportunities Fund I S.P. ("SP1"), Haitong China Select Investment Fund S.P. ("SP3") and Haitong Multi-Tranche Investment Fund II S.P. ("SP6") are consolidated structured entities since the Group is a sole management shareholder of these funds to make all the key financing and operating decisions in these funds with significant exposure to variability of returns generated from non-participating shares.

On 29 June 2015, Hai Tong Asset Management (HK) Limited, a subsidiary of the Group and sole management shareholder of SP1, SP3 and SP6, has entered an agreement to transfer 50% of management shares of SP1, SP3 and SP6 respectively with an external third party so as to introduce a long term strategic business partner to the Group to jointly manage the mentioned investment funds.

Pursuant to the agreement, the management shareholders for SP1, SP3 and SP6 are empowered to make all the key financing and operating decisions in the funds and require unanimous consent of the parties sharing control. The arrangement of sharing of control is contractually agreed by both parties. The non-participating shares in SP1, SP3 and SP6 provide the Group with the share of returns from the Fund but not any decision-making power nor any voting right in daily operation of the Fund.

As such, the directors consider that the interest of the Group in the SP1, SP3 and SP6 are classified as a joint venture after 50% of management shares of SP1, SP3 and SP6 are transferred on 29 June 2015.

With the immediate effect of losing the control and become joint venture, the Group derecognises the assets and liabilities of SP1, SP3 and SP6 (former subsidiaries) from the unaudited condensed consolidated statement of financial position and the fair value for SP1, SP3 and SP6 of RMB89 million, RMB330 million and RMB110 million are recognised as the cost on initial recognition of investment in joint ventures respectively. No gain or loss is derived from the loss of control by the above-mentioned transfer of management shares.

- (ii) As at 30 June 2015, the Group held 5,773,000 units (31 December 2014: 19,467,200 units), representing 17.5% (31 December 2014: 31.9%) interest in the Haitong CSI300 Index ETF (the "Fund ETF"). The units provide the Group with the share of returns from the Fund ETF but not any decision-making power nor any voting right in the daily operation. The daily operation of the Fund ETF is managed by the investment manager, which is a wholly owned subsidiary of the Group.

During the current period, the Group has disposed its units holding in Fund ETF through the secondary market in Hong Kong with disposal gains of RMB99 million and recorded in the unaudited condensed consolidated statement of profit or loss.

The directors consider that the Group does not have control over the Fund ETF but there is significant influence over the Fund ETF in both periods and it is therefore classified as an associate of the Group.

- (iii) On 8 April 2015, the Group's wholly owned subsidiary, Haitong Capital Investment Co., Ltd., invested RMB250 million in Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership), a newly formed fund.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. FINANCE LEASE RECEIVABLES

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Minimum lease payments to be received	27,376,224	23,962,578
Less: unrealized finance income	(3,540,012)	(3,411,212)
Balance of finance lease receivables	23,836,212	20,551,366
Less: Allowance for impairment	(465,996)	(325,897)
Finance lease receivables, net	23,370,216	20,225,469
Analysis by statement purpose:		
Current assets	8,917,243	7,399,072
Non-current assets	14,452,973	12,826,397
	23,370,216	20,225,469

The minimum lease receivables due are analysed by periods as follows:

	30.6.2015 (unaudited)		31.12.2014 <i>(audited)</i>	
	Net book value	Percent (%)	Net book value	Percent (%)
Within 1 year	10,500,897	38	8,797,021	37
1-2 years	7,131,866	26	6,521,894	27
2-3 years	5,194,641	19	4,433,903	18
Over 3 years	4,548,820	17	4,209,760	18
Total	27,376,224	100	23,962,578	100
Unrealized finance income	(3,540,012)		(3,411,212)	
Balance of finance lease receivables	23,836,212		20,551,366	
Allowance for impairment	(465,996)		(325,897)	
Finance lease receivables, net	23,370,216		20,225,469	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. FINANCE LEASE RECEIVABLES (continued)

Finance lease receivables are analyzed by industries as follows:

	30.06.2015 (unaudited)		31.12.2014 (audited)	
	Amount	Percent(%)	Amount	Percent(%)
Education	11,218,826	40.98	10,416,174	43.47
Healthcare	5,320,691	19.44	5,524,151	23.05
Machinery processing	5,192,823	18.97	2,592,763	10.82
Printing & Packaging	1,871,472	6.84	2,211,345	9.23
Motor vehicles	1,127,479	4.12	962,798	4.02
Agricultural and forestry machinery	715,266	2.61	865,660	3.61
Textile	116,018	0.42	217,147	0.91
Electronics	756,153	2.76	526,523	2.20
Plastic	333,809	1.22	175,921	0.73
Energy saving and environmental protection	288,399	1.05	292,818	1.22
Real Estate	295,939	1.08	–	–
Others	139,349	0.51	177,278	0.74
Total	27,376,224	100.00	23,962,578	100.00
Unrealized finance income	(3,540,012)		(3,411,212)	
Balance of finance lease receivables	23,836,212		20,551,366	
Allowance for impairment	(465,996)		(325,897)	
Finance lease receivables, net	23,370,216		20,225,469	

Allowance for impairment

	30.6.2015 (unaudited)			31.12.2014 (audited)		
	Individual assessment	Collective assessment	Total	Individual assessment	Collective assessment	Total
As at the beginning of the period/year	56,299	269,598	325,897	–	–	–
Addition during the period/year	244,458	42,691	287,149	188,171	269,598	457,769
Recoveries of receivables written off in previous periods/years	5,451	–	5,451	–	–	–
Written off during the period/year	(152,501)	–	(152,501)	(131,872)	–	(131,872)
As at the end of the period/year	153,707	312,289	465,996	56,299	269,598	325,897

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

18. HELD-TO-MATURITY INVESTMENTS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Unlisted debt securities	93,837	312,822
Analysed for reporting purpose as:		
Current assets	20,656	3,006
Non-current assets	73,181	309,816
	93,837	312,822

As at 30 June 2015, the fair value of the held-to-maturity investments was approximately RMB94,038,000 (2014: RMB314,734,000). The related interest rates on such bonds for the year ended 30 June 2015 ranged between 4.1%-10.5% per annum (2014: between 4.1%-11.75% per annum).

19. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Debt securities	1,619,764	1,814,512
Equity securities	6,166,590	4,730,988
Funds	1,844,741	930,017
Others (note i)	7,341,370	5,229,877
	16,972,465	12,705,394
Analysed as:		
Listed in Hong Kong	6,479	–
Listed outside Hong Kong (primarily in the PRC)	3,133,323	2,934,366
Unlisted	13,832,663	9,771,028
	16,972,465	12,705,394
Analysed as:		
Listed equity securities (note ii)	1,940,313	1,492,524
Unlisted equity securities (note iii)	4,226,277	3,238,464
	6,166,590	4,730,988
Analysed for reporting purpose as:		
Current assets	7,347,502	3,990,608
Non-current assets	9,624,963	8,714,786
	16,972,465	12,705,394

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

19. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

- (i) Except for the investment described below, others comprise of structured products and trust products where funds are mainly invested in listed securities or open-ended funds and the Group's return of investment is tied to the result of such investments.

On 28 November 2014, the Group entered into a subscription agreement to acquire a HKD2,100,000,000 fixed rate bond bearing interest at 26% per annum due on 27 November 2017 issued by a third party company (the "Company A").

On 5 December 2014, the Group further entered into another subscription agreement to acquire preference shares issued by Company A for a subscription price of HKD500,000,000 with maturity date on 5 December 2017 (the "Maturity Date"). The preference shares is non-interest bearing and the holder of preference shareholder is entitled to the dividend distribution by Company A. Pursuant to the Shareholder Deed of Company A dated 5 December 2014, the ordinary shareholder who is also a third party to the Group, agrees to buy, all the preference shares held by the Group, on the Maturity Date. The sale price of the preference share held by the Group shall be equivalent to the subscription price of HKD500,000,000 of all the preference shares.

Taking into account the economic substance reflected by contract terms related to the dividend distribution entitlement of preference shares of Company A together with the sales back arrangement being considered protective in nature, the Group accounts for the preference share together with the fixed rate bond to be presented as available-for-sale debt investments.

- (ii) Included in the Company's listed equity securities are amounts of approximately RMB1,548,208,000 and RMB588,601,000 as at 30 June 2015 and 31 December 2014, respectively, restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Company to dispose within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.
- (iii) The unlisted equity securities held by the Group are issued by private companies (including companies in banking, manufacturing, property development and utilities sectors). As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the reporting date.

In the opinion of the directors of the Company, non-current available-for sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods.

As at 30 June 2015 and 31 December 2014, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB49,147,000 and RMB233,826,000 to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

RMB28,223,611,000 and RMB6,049,313,000 cash collateral was received from clients for securities lending arrangement and margin financing activities carried out in the PRC, and reported under accounts payable to brokerage clients (Note 34).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

20. LOAN AND RECEIVABLE INVESTMENTS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Trust products (note)	2,384,260	2,316,600
Structured products (note)	5,559,427	4,861,063
Bonds	888,674	639,774
Less: Allowance for impairment	(51,781)	–
	8,780,580	7,817,437
Movements in the allowance for impairment are as follows:		
At beginning of the period/year	–	–
Provision of impairment allowance, net	51,781	–
At end of the period/year	51,781	–
Analysed for reporting purpose as:		
Current assets	5,297,164	3,347,033
Non-current assets	3,483,416	4,470,404
	8,780,580	7,817,437

Note: The above products comprise fixed-yield structured products and trust products, which are recoverable in determinable amounts by principle and interest according to the relevant agreements.

21. OTHER ASSETS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Foreclosed assets	33,485	33,485
Deposits with the Hong Kong Stock Exchange	1,183	1,183
Contributions to reserve funds of		
– HKFE Clearing Corporation Limited	30,543	6,577
– The SEHK Options Clearing House Limited	16,829	13,723
Deposits for trading rights	157,746	23,302
Prepaid lease payments	15,256	15,508
Others	13,298	37,455
	268,340	131,233

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

22. LOANS AND ADVANCES TO CUSTOMERS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Loans to margin clients (note i)	141,341,109	63,563,468
Other advances to customers (note ii)	1,519,298	1,435,112
Less: Impairment allowance	(249,128)	(115,221)
	142,611,279	64,883,359
Movements in the impairment allowance are as follows:		
At beginning of the period/year	115,221	1,114
Provision of impairment allowance, net	133,907	114,107
At end of the period/year	249,128	115,221

Notes:

- (i) The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group. The majority of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 30 June 2015 and 31 December 2014 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB409,346,214,000 and RMB173,687,256,000, respectively.

Having considered the business nature of advances to customers, the corresponding receivables are short-term with no significant over-due amounts, the directors are of the opinion that no further aging analysis is disclosed.

The Group determines the allowance for impaired debts based on the evaluation of collectability and aging analysis of accounts and on management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. As at 30 June 2015 and 31 December 2014, there was no significant impairment. The concentration of credit risk is limited due to the customer base being large and unrelated.

- (ii) These loans are secured and/or guaranteed with contractual maturity within 1 year(2014: within 1 year), and bear interest at Hong Kong prime rate minus 1.5% to Hong Kong prime rate plus 7% or at a fixed rate of 4% to 11% per annum (2014: at Hong Kong prime rate minus 1.5% to Hong Kong prime rate plus 7% or at a fixed rate of 4% to 11% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

23. ACCOUNTS RECEIVABLE

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Accounts receivable from:		
– Cash clients	280,552	97,432
– Brokers, dealers and clearing house	4,417,570	3,194,489
– Advisory and financial planning	3,254	7,099
– Asset and fund management	585,006	318,937
– Clients for subscription of rights issue and IPO (note)	2,294,028	688,524
– Others	221,097	115,188
	7,801,507	4,421,669
Less: allowance for doubtful debts on accounts receivable	(34,607)	(37,315)
	7,766,900	4,384,354

Note: Accounts receivable from clients arising from financing of rights issue and IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 30 June 2015, the settlement date are in the range of 2 July 2015 to 7 July 2015.

Movements in the allowance for doubtful debts are as follows:

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
At beginning of the period/year	37,315	122
(Reversal)/provision of impairment allowance, net	(2,708)	37,193
At end of the period/year	34,607	37,315

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

23. ACCOUNTS RECEIVABLE (continued)

Aging analysis of accounts receivable from the trade date is as follows:

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Between 0 and 3 months	7,493,367	4,230,641
Between 4 and 6 months	38,896	66,605
Between 7 and 12 months	214,182	60,034
Over 1 year	20,455	27,074
	7,766,900	4,384,354

The normal settlement terms of accounts receivable from clients and brokers, dealers and clearing houses are within two days after trade date. Normal settlement terms of accounts receivable from advisory and financial planning, asset and fund management are determined in accordance with the contract terms, usually within one year after the service provided.

There is trading limit for all clients. The Group strictly monitors outstanding accounts receivable in order to minimize the credit risk. The management review the accounts receivable regularly to ensure that the listed stocks held by the Group on clients' behalf is able to offset their debts owed to the Group.

24. OTHER RECEIVABLES AND PREPAYMENTS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Interest receivable	2,048,085	1,621,413
Expenses for underwriting business to be settled by clients	1,305	320
Other receivables and prepayments (note ii)	1,580,635	1,318,266
	3,630,025	2,939,999
Less: allowance for doubtful debts on other receivables (note i)	(487,965)	(486,027)
	3,142,060	2,453,972

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

24. OTHER RECEIVABLES AND PREPAYMENTS (continued)

Movements in the allowance for doubtful debts are as follows:

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
At beginning of the period/year	486,027	497,857
Provision/(reversal) of impairment allowance, net	1,846	(21,360)
Recoveries of other receivables previously written off	92	9,557
Amounts written off during the period/year	–	(27)
At end of the period/year	487,965	486,027

Notes:

- (i) As at 30 June 2015, included in the allowance for doubtful debts of the mainly represents a gross receivable of RMB550,000,000 from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year. As of 30 June 2015, amounts of RMB87,088,000 (2014: RMB87,088,000) of the above receivable were recovered. In 2015, no amounts of the above receivable were recovered (2014: RMB21,983,000).
- (ii) Included in the balance represents the deposit of approximately RMB423 million paid by Haitong International Holding Limited ("HTIH"), a wholly owned subsidiary of the Group to BANCO ESPIRITO SANTO DE INVESTIMENTO, S.A. for the proposed acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Analysed by collateral type:		
Stock (note)	59,336,730	39,366,954
Bonds	12,642,894	12,703,535
Fund	14,029	53,921
Structured products	6,514,000	11,101,000
Less: Allowance for doubtful debts	(118,924)	(59,321)
	78,388,729	63,166,089
Analysed by market:		
Stock Exchange	59,350,779	44,092,885
Inter-bank	12,642,874	8,031,525
Over the counter ("OTC")	6,514,000	11,101,000
Less: Allowance for doubtful debts	(118,924)	(59,321)
	78,388,729	63,166,089
Analysed for reporting purpose as:		
Current	59,910,150	52,873,455
Non-current	18,478,579	10,292,634
	78,388,729	63,166,089

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price.

As of 30 June 2015, the fair value of the collateral was RMB270,901,614,000 (2014: RMB130,374,519,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Debt securities	29,816,739	31,361,176
Equity securities	23,246,284	14,011,074
Funds	10,996,611	11,174,523
Others	2,540,577	611,453
Derivative instruments (Note 37)	703,769	642,211
	67,303,980	57,800,437
Analysed as:		
Listed in Hong Kong	2,296,564	4,257,201
Listed outside Hong Kong (primarily in the PRC)	36,900,484	30,679,218
Unlisted (notes i, ii)	28,106,932	22,864,018
	67,303,980	57,800,437
Analysed for reporting purpose as:		
Current assets	65,697,211	56,273,055
Non-current assets (note ii)	1,606,769	1,527,382
	67,303,980	57,800,437

Notes:

- (i) Unlisted financial assets at fair value through profit or loss of the Group include unlisted bonds, funds and structured products, which were classified as held for trading financial assets, the underlying investments of unlisted funds and structured products mainly consist of publicly traded equities and bonds listed in Hong Kong and in mainland China.
- (ii) Unlisted financial assets at fair value through profit or loss include financial assets acquired by the Group which are driven by the issued structured products and become its underlying investments and hedging items for the risk of economic exposure on these issued structured products as set out in Note 38.

These financial assets are designated at fair value as such instruments, as well as the financial instruments which they are hedging, are risk managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

For these financial assets in connection with structured products with the maturity more than one year, they are classified as non-current assets as they are not expected to be settled within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

As at 30 June 2015, the Company has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB299,448,000 (31 December 2014:RMB87,187,000) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

Details of derivative instruments are set out in note 37.

27. DEPOSITS WITH EXCHANGES

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Deposits with stock exchanges		
– Shanghai Stock Exchange	315,267	125,160
– Shenzhen Stock Exchange	132,021	66,914
– National Equities Exchange and Quotations	1,826	828
	449,114	192,902
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	824,930	978,614
– Dalian Commodity Exchange	500,525	458,367
– Zhengzhou Commodity Exchange	300,398	308,344
– China Financial Futures Exchange	3,925,172	2,923,021
– Shanghai Gold Exchange	322	120
	5,551,347	4,668,466
Deposit with credit		
– Guarantee fund paid to Shanghai Stock Exchange	112,934	16,596
– Guarantee fund paid to Shenzhen Stock Exchange	65,818	16,812
– Deposit with China Securities Finance Corporation Ltd.	1,167,841	597,021
– Deposit with Shanghai Clearing House	10,740	3,867
	1,357,333	634,296
	7,357,794	5,495,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

28. CLEARING SETTLEMENT FUNDS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 RMB'000 (audited)
Clearing settlement funds held with clearing houses for:		
The Group	1,559,745	1,281,263
Clients	26,898,464	13,537,613
	28,458,209	14,818,876

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn freely by the Group. These balances carry interest at prevailing market interest rates.

29. BANK BALANCES AND CASH

	30.6.2015 RMB'000 (unaudited)	31.12.2014 RMB'000 (audited)
General accounts	78,389,357	23,495,626
Cash held on behalf of clients (note i)	155,509,869	62,592,458
Total	233,899,226	86,088,084
Less: non-current restricted bank deposits (note ii)	(409,570)	(384,473)
	233,489,656	85,703,611

Bank balances and cash comprise cash on hand and demand deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group maintain segregated bank accounts with banks to hold clients' deposits arising from normal business transactions. The Group have recognised the corresponding amount in accounts payable to brokerage clients (Note 34). The Group currently does not have a legally enforceable right to offset these payables with deposit placed.
- (ii) The non-current restricted bank deposits are mainly restricted for fund management general reserve purpose.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises the following:

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Bank balances and cash – general account	78,389,357	23,495,626
Less: Restricted bank deposits (note)	(859,182)	(437,695)
Clearing settlement funds – the Group	1,559,745	1,281,263
	79,089,920	24,339,194

Note: Included in the balance represents the deposits pledged to secure bank borrowings and facilities. Deposits amounting to RMB450 million (31 December 2014: RMB53 million) have been pledged to secure short-term bank borrowings and facilities and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings and facilities.

31. BORROWINGS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Secured borrowings:		
Short-term borrowings (notes i, iii)	8,987,341	6,985,632
Long-term borrowings (notes i, iii)	11,710,211	8,928,533
Unsecured borrowings:		
Short-term borrowings (note iii)	13,615,546	8,176,114
Long-term borrowings (note iii)	1,351,442	254,979
	35,664,540	24,345,258
Current liabilities:		
Short-term borrowings (note ii)	22,602,887	15,161,746
Long-term borrowings due within one year	5,662,264	4,645,828
	28,265,151	19,807,574
Non-current liabilities:		
Long-term borrowings	7,399,389	4,537,684
	35,664,540	24,345,258

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

31. BORROWINGS (continued)

Notes:

- (i) Bank loans of approximately RMB4,365 million as at 30 June 2015 (31 December 2014: approximately RMB2,482 million), are secured by the listed shares pledged to the Group as collateral for advances to customers (with customers' consent) of approximately RMB12,376 million as at 30 June 2015 (31 December 2014: approximately RMB6,780 million), respectively.

Bank loans of approximately RMB11,418 million as at 30 June 2015 (31 December 2014: RMB9,205 million), are secured by the finance lease receivables and pledged bank deposits of approximately RMB20,983 million as at 30 June 2015 (31 December 2014: RMB15,257 million) which is approximated to fair value.

Bank loans of approximately RMB1,108 million as at 30 June 2015 (31 December 2014: RMB1,029 million), are secured by the listed shares acquired by the Group for the issuance of structured products of approximately RMB1,607 million as at 30 June 2015 (31 December 2014: RMB1,527 million).

Bank loans of approximately RMB2,250 million (31 December 2014: RMB2,252 million), are secured by the shares of Haitong UT Capital Co., Ltd. ("UT Capital").

Bank loans of approximately RMB946 million (31 December 2014: RMB947 million) are secured by the investment fund of approximately RMB1,197 million as at 30 June 2015 (31 December 2014: RMB1,138 million) which is the dealing price of that fund derived from the net asset values of that fund with reference to observable quoted price of underlying investment portfolio in active markets.

Bank loans of approximately RMB611 million (31 December 2014: Nil) are secured by standby letter of credit issued by a commercial bank in mainland China and the bond investments of the Group with fair value of approximately RMB717 million as at 30 June 2015 (31 December 2014: Nil) are pledged to the bank for the issuance of standby letter of credit.

- (ii) Short-term bank borrowings and other loans are repayable on demand or within 1 year.
- (iii) All the Group's bank borrowings bear interest at 0.75% to 6.85% per annum (31 December 2014: 1.53% to 6.16% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

32. SHORT-TERM FINANCING BILLS PAYABLES

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Analysed as:		
Stock Exchange (note i)	13,000,000	7,500,000
Other (note ii)	23,188,505	15,426,586
	36,188,505	22,926,586

Notes:

- (i) As at 30 June 2015, the short-term financing bills are debt securities issued by the Company in PRC inter-bank market bearing interest at 4.65% to 5.00% per annum (31 December 2014: 4.65% to 5.85% per annum), repayable within 1 year.
- (ii) According to Securities Association of China ("SAC")'s letter on approving the pilot of OTC income certificate business (SAC [2014]285), the Company was authorized to conduct income certificate business. The yields of all the outstanding income certificates were between 4.00% to 7.00%.

33. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Placement from banks	3,210,000	8,500,000
Placement from China Securities Finance Corporation Ltd.	5,270,000	5,770,000
	8,480,000	14,270,000

As at 30 June 2015, the placements from banks bear interest at rates from 1.55% to 3.4% per annum with a short-term maturity of one to seven days (31 December 2014: from 4.8% to 5.1% per annum with maturities of seven days); the placements from China Securities Finance Corporation Ltd. bear interest at rates of 6.3% per annum with a short-term maturity of 6 months (31 December 2014: 5.8% per annum with maturities of 6 months).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

34. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

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

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the corresponding receivables which are short-term with no significant over-due amounts.

Accounts payable mainly include money held on behalf of clients at banks and at clearing houses by the Group.

As at 30 June 2015 and 31 December 2014, included in the Group's accounts payable to brokerage clients were approximately RMB28,223,611,000 and RMB6,049,313,000 cash collateral received from clients for securities lending and margin financing arrangements.

Accounts payable to brokerage clients are interest bearing at the prevailing interest rates.

35. OTHER PAYABLES AND ACCRUALS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Accrued staff cost (note)	2,977,092	1,726,026
Business tax and other tax payable	1,048,366	435,531
Dividends payable	100,335	7,536
Risk reserve	296,812	175,264
Client settlement payables	4,441,941	2,163,513
Pending payable to clearing house	302,644	468,061
Commission and fee payables	150,190	20,321
Payables due to fund redemption	124,392	186,140
Finance lease guarantee deposits	415,558	379,171
Payable for leasing equipment	190,777	103,356
Interest payables	2,716,524	883,334
Amounts due to brokers	571,703	766,823
Others	992,735	685,458
	14,329,069	8,000,534
Analysed for reporting purpose as:		
Current liabilities	14,099,464	7,697,576
Non-current liabilities (note)	229,605	302,958
	14,329,069	8,000,534

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

35. OTHER PAYABLES AND ACCRUALS (continued)

Note:

The Group set up a detailed plan for the payment of employees' bonus accrued based on the performance of current period. Accruals amounting to RMB136,807,000 of the Group (31 December 2014: RMB210,130,000) are planned to be settled in more than one year and classified as non-current liabilities.

36. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Analysed as collateral type:		
Stock	397,000	–
Bonds	19,605,765	20,003,884
Loans and advances to customers and finance lease receivables	100,313,590	54,713,980
	120,316,355	74,717,864
Analysed by market:		
Stock Exchange	10,144,767	12,994,806
Inter-bank market	9,460,998	7,009,078
OTC	100,710,590	54,713,980
	120,316,355	74,717,864
Analysed for reporting purpose as:		
Current	112,482,245	59,807,864
Non-current	7,834,110	14,910,000
	120,316,355	74,717,864

As of 30 June 2015, the current portion of financial assets sold under repurchase agreements include those bond repurchase agreements entered into with qualified investors, which amounted to RMB3,377,167,000 (31 December 2014: RMB3,352,106,000) for the Group with maturities within 1 year.

Sales and repurchase agreements are transactions in which the Group sell a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group are still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retain substantially all the risks and rewards of these securities. In addition, it is recognised as a financial liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

36. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

As at 30 June 2015 and 31 December 2014, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sell the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

The following tables provides a summary of carrying amounts and fair values related to transferred financial assets of the Group that are not derecognised in their entirety and the associated liabilities:

As at 30 June 2015

Unaudited

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investments RMB'000	Loans and advances to customers RMB'000	Loan and receivable investment RMB'000	Others RMB'000	Total RMB'000
Carrying amount of transferred assets	17,896,003	2,001,148	106,807,569	3,237,434	2,609,271	132,551,425
Carrying amount of associated liabilities	16,026,725	1,589,972	97,097,790	3,215,800	2,386,068	120,316,355
Net position	1,869,278	411,176	9,709,779	21,634	223,203	12,235,070

As at 31 December 2014

Audited

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investments RMB'000	Loans and advances to customers RMB'000	Loan and receivable investments RMB'000	Financial assets held under resale agreements RMB'000	Finance lease receivables RMB'000	Others RMB'000	Total RMB'000
Carrying amount of transferred assets	2,489,083	17,463,786	39,191,870	773,741	18,117,289	715,770	2,786,512	81,538,051
Carrying amount of associated liabilities	2,019,040	15,070,209	36,845,261	670,000	17,032,519	676,240	2,404,595	74,717,864
Net position	470,043	2,393,577	2,346,609	103,741	1,084,770	39,530	381,917	6,820,187

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

37. DERIVATIVE INSTRUMENTS

	30.6.2015		31.12.2014	
	Assets RMB'000 (unaudited)	Liabilities RMB'000 (unaudited)	Assets RMB'000 (audited)	Liabilities RMB'000 (audited)
Stock index futures contracts (notes i, ii)	-	-	-	-
Treasury futures contracts (note iii)	-	-	-	-
Interest rate swap contracts (note iv)	18,746	27,366	31,190	22,530
Equity linked note (note v)	-	-	24,757	-
Forward contracts	14,628	261,813	154,253	163,860
Options (note vi)	-	46,495	211	55,960
Embedded equity instruments (note vi)	-	3,704	-	4,636
Debts linked note (note v)	666,384	-	431,800	-
Equity swap contracts	4,011	-	-	-
Total	703,769	339,378	642,211	246,986

Notes:

(i) Hedge

The stock index futures contracts outstanding as at 30 June 2015 and 31 December 2014 are used to hedge the exposure to the changes in fair values of certain available-for-sale investments. The index future contract of the Group is the standard CSI 300 stock index futures contracts listed in China Financial Futures Exchange.

Fair value hedge

The Group adopted hedging strategy, where by the Group used CSI 300 stock index future contract to hedge the market risk of the securities lent or to be lent to clients, which consist of stock portfolio with reference to that used by CSI 300 stock index.

At the inception of the hedge relationship, the Group have designated the CSI 300 stock index future contract as hedging instrument, and document the hedging relationship, risk management and hedge strategy. According to the effectiveness test of the fair value hedge by the Group, the hedge instruments are considered highly effective.

Included in the derivative financial instruments above are those designated as hedging instruments in a fair value hedge by the Group as follows:

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Fair value (loss)/gain on hedging instruments	(160,725)	188,867
Fair value gain/(loss) on hedged items	172,554	(164,907)
Total	11,829	23,960

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

37. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(ii) CSI 300 stock index futures

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 30 June 2015 and 31 December 2014. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period.

Contract	30.6.2015	
	Contract value RMB'000 (unaudited)	Fair value RMB'000 (unaudited)
IC1507	600,739	(7,582)
IF1507	10,548,963	1,473,688
IF1507 (note)	35,452	134
IH1507	1,146,051	23,748
Total	12,331,205	1,489,988
Less: settlement		(1,489,988)
Net position of SIF contracts		—

Contract	31.12.2014	
	Contract value RMB'000 (audited)	Fair value RMB'000 (audited)
IF1501	6,976,314	(375,716)
IF1502 (note)	45,647	3,794
IF1503	590,111	(26,656)
Total	7,612,072	(398,578)
Less: settlement		398,578
Net position of SIF contracts		—

Note: This contract was in long position, and all the others were in short position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

37. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(iii) Treasury bond futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 30 June 2015 and 31 December 2014. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period.

Contract	30.6.2015	
	Contract value RMB'000 (unaudited)	Fair value RMB'000 (unaudited)
T1509	839,574	15,960
TF1509	1,007,422	22,310
TF1509 (note)	9,595	1
Total	1,856,591	38,271
Less: settlement		(38,271)
Net position of TF contracts		–

Contract	31.12.2014	
	Contract value RMB'000 (audited)	Fair value RMB'000 (audited)
T1503	1,112,165	2,909
TF1506	53,504	(170)
Total	1,165,669	2,739
Less: settlement		(2,739)
Net position of TF contracts		–

Note: This contract was in long position, and all the others were in short position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

37. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(iv) Swap contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap ("IRS") were settled daily in mainland China market and the corresponding payments or receipts were included in "clearing settlement funds" as at 30 June 2015. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period. As at 30 June 2015, under the daily mark-to-market and settlement arrangement, the contract values of the Group's IRS contracts are about RMB17,256,000,000 (2014: RMB2,080,000,000).

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period. As at 30 June 2015, for IRS contracts not under the daily mark-to-market and settlement arrangement, the contract values of those IRS contracts of the Group are about RMB8,406,226,000 (2014: RMB7,869,635,000).

	30.6.2015		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settle in Shanghai Clearing House	17,256,000	–	(464)
IRS – non-centralised settlement	8,406,226	18,746	(27,366)
Total	25,662,226	18,746	(27,830)
Less: settlement		–	464
Net position of IRS contracts		18,746	(27,366)
		31.12.2014	
	Contract value RMB'000 (audited)	Assets RMB'000 (audited)	Liabilities RMB'000 (audited)
IRS – settle in Shanghai Clearing House	2,080,000	–	(3,672)
IRS – non-centralised settlement	7,869,635	31,190	(22,530)
Total	9,949,635	31,190	(26,202)
Less: settlement		–	3,672
Net position of IRS contracts		31,190	(22,530)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

37. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(v) Equity linked notes and debt linked notes

The Group did not hold any equity linked notes as at 30 June 2015. The notional principal amounts of the Group's equity linked notes as at 31 December 2014 are approximately RMB611,900,000.

The notional principal amounts of the Group's debt linked notes are approximately RMB2,445,404,000 as at 30 June 2015 (2014: RMB1,446,680,000).

(vi) Options and embedded equity instruments

As at 30 June 2015, the notional principal amounts of the Group's OTC options in mainland China are approximately RMB8,704,530,000 (As at 31 December 2014: RMB15,081,533,000) with fair value loss of RMB31,217,000 (As at 31 December 2014: RMB55,960,000). The notional principal amounts of the Group's traded options in mainland China are approximately RMB43,274,000 (As at 31 December 2014: RMB261,000) with fair value loss of RMB15,278,000 (As at 31 December 2014: RMB211,000). The notional principal amounts of the Group's embedded equity instruments are approximately RMB155,716,000 (As at 31 December 2014: RMB331,576,000).

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Financial liabilities held for trading (note i)	10,891,872	11,604,704
Designated as financial liabilities at fair value through profit or loss (FVTPL) – Structured products (note iii)	3,663,099	2,581,147
Designated as financial liabilities at FVTPL – Gold lending (note ii)	6,813,260	1,603,773
Derivative instruments (Note 37)	339,378	246,986
	21,707,609	16,036,610
Analysed for reporting purpose as:		
Current	20,691,891	15,028,545
Non-current (note iii)	1,015,718	1,008,065
	21,707,609	16,036,610

Notes:

- (i) Financial liabilities held for trading mainly consist of the liabilities arising from consolidation of structured entities.
- (ii) As at 30 June 2015, included in the Group's financial liabilities designated at fair value through profit or loss are gold lending contracts entered by the Company with counterparties.

The risk of economic exposure on these contracts is primarily hedged using forward contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

- (iii) As at 30 June 2015, included in the Group's financial liabilities designated at fair value through profit or loss are the issued structured notes by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates with the underlying investments related to listed equity investments in active markets and unlisted equity or partnership investments.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets designated as fair value through profit or loss or investments accounted for using equity method. These structured products are designated as fair value through profit or loss as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

As at 30 June 2015, amount of RMB1,015,718,000 structured product's maturity is over one year which is classified as non-current liabilities. (31 December 2014: RMB1,008,065,000) Among which HKD620 million (equivalent to RMB489 million) as at 30 June 2015 and 31 December 2014 is the cash paid by an external third party ("Initial Exchange Amount") to the Group for the total return swap transaction with a gross notional amount of HKD2,100 million (equivalent to RMB1,656 million) for the Group's interests approximately 38.9 % in New Bridge as a limited partner (Note 16). The total return swap transaction will be due and expired on 4 December 2017.

Details of the derivative instruments are in Note 37.

39. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of share '000	Amount RMB'000	Number of share '000	Amount RMB'000	Number of share '000	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2014 (audited), At 31 December 2014 (audited) and At 1 January 2015 (audited)	8,092,131	8,092,131	1,492,590	1,492,590	9,584,721	9,584,721
Additional shares issued to specific investors (note)	–	–	1,916,979	1,916,979	1,916,979	1,916,979
At 30 June 2015 (unaudited)	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700

Note:

As approved by the shareholders at the 2015 First Extraordinary General Meeting, 2015 First A Share General Meeting, 2015 First H Share General Meeting and obtained the China Securities Regulatory Commission ("CSRC") approval at Zheng Jian Xu Ke No. [2015]811, <Approval on Issuing Additional Oversea Listing Shares of Haitong Securities Co., Ltd>, the Company has made non-public offering on H shares during this period.

On 15 May 2015 and 29 May 2015, the Company issued 1,048,141,000 and 868,838,000 H shares with nominal value of RMB1 per share at issuing price of HKD17.18 per share, respectively. The respective net proceed from the fund-raising after deducting the expenses in connection with the issue was RMB equivalent 25,875,204,000, of which RMB1,916,979,000 was recorded in "Share Capital" and RMB23,958,225,000 was recorded in "Capital Reserve".

The newly issued H shares carry the same rights with the existing H shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

40. DEFERRED TAXATION

For the purpose of presentation in the Group's condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Deferred tax assets	903,174	566,817
Deferred tax liabilities	(1,661,098)	(758,197)
	(757,924)	(191,380)

The following are the major deferred tax assets (liabilities) recognised and movements thereon in the relevant year/period:

	Financial Liabilities/ assets held for trading <i>RMB'000</i>	Accelerated depreciation <i>RMB'000</i>	Derivative assets <i>RMB'000</i>	Accrued but not paid expenses <i>RMB'000</i>	Available- for-sale investments <i>RMB'000</i>	Derivative liabilities <i>RMB'000</i>	Provision of loans and receivables <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Audited									
At 1 January 2014	179,802	(11,757)	(17,370)	56,420	122,130	11,605	-	4,519	345,349
Transfer in arising from acquisition of subsidiary	-	-	(1,859)	8,932	-	379	69,293	-	76,745
(Charge) credit to profit or loss	(712,328)	2,107	18,544	193,478	(232,699)	95,390	72,170	(131)	(563,469)
Charge to other comprehensive income	-	-	-	-	(49,979)	-	-	-	(49,979)
Exchange gains or losses	-	(39)	-	-	-	-	-	13	(26)
At 31 December 2014	(523,526)	(9,689)	(685)	258,830	(160,548)	107,374	141,463	4,401	(191,380)
Unaudited									
Transfer in arising from acquisition of subsidiary	-	-	-	820	-	-	-	-	820
(Charge) credit to profit or loss	(194,717)	(478)	(382,382)	250,669	16,968	(43,389)	112,225	3,435	(237,669)
Credit to other comprehensive Income	-	-	-	-	(329,662)	-	-	-	(329,662)
Exchange gains or losses	-	3	-	(3)	-	-	(32)	(1)	(33)
At 30 June 2015	(727,243)	(10,164)	(383,067)	510,316	(473,242)	63,985	253,656	7,835	(757,924)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

41. BOND PAYABLES

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Convertible bonds (note i)	109,763	1,405,329
Non-convertible bonds (notes ii, iii, iv)	43,922,900	34,359,083
Subordinated notes (note v)	34,940,270	–
Asset backed securities (note vi)	1,344,253	–
Others (note vii)	10,714,000	11,255
	91,031,186	35,775,667
Analysed for reporting purpose as:		
Current	4,756,619	–
Non-current	86,274,567	35,775,667
	91,031,186	35,775,667

Notes:

- (i) The Group's subsidiary Haitong International Securities Group Limited ("HISGL") has issued convertible bonds in principal amount of HKD1,008 million (equivalent to RMB795 million) and HKD1,164 million (equivalent to RMB918 million) in 2013 and 2014 respectively and these convertible bonds bear interest at a fixed rate of 1.25% per annum with a maturity period of 5 years respectively. The values of the liability component and the equity conversion component were determined at the issuance of the bonds.

As at 30 June 2015, the conversion prices of convertible bonds issued by HISGL in 2013 and 2014 are adjusted to HKD3.10 (equivalent to RMB2.44) per share (31 December 2014: HKD3.61 (equivalent to RMB2.85)) and HKD5.17 (equivalent to RMB4.08) per share (31 December 2014: HKD6 (equivalent to RMB4.73)) after HISGL's rights issue announced on 18 March 2015 and determination of the right to the entitlement of the final dividend as resolved by the owners of HISGL on 8 June 2015.

During the period ended 30 June 2015, convertible bonds issued by HISGL in 2013 and 2014 with the principal amount of HKD675 million (equivalent to RMB532 million) (31 December 2014: HKD325 million (equivalent to RMB256 million)) and HKD1,027 million (equivalent to RMB810 million) (31 December 2014: Nil) were converted into ordinary shares of HISGL.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

41. BOND PAYABLES (continued)

Notes: (continued)

- (ii) On 29 October, 2013, the Group's wholly owned subsidiary Haitong International Holdings Limited ("HTIH") issued corporate bonds with credit enhancement of standby letter of credit issued by Bank of China Singapore Branch in principal amount of USD900 million (RMB5,507,100,000) at a discount of 99.574% which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate of 3.95% with a maturity period of 5 years, and the interest will be paid semi-annually in arrears on 29 April and 29 October in each year with the first interest payment date on 29 April 2014. The principal will be fully repayable on the maturity date.

The Company entered into a keepwell deed for the above bonds. The Company will undertake to cause HTIH to remain solvent at all times and to have sufficient liquidity to ensure timely payment by HTIH of any amounts payable in respect of the bonds in accordance with the terms and conditions of the bonds any payments due. The Company provides counter guarantee for Bank of China Singapore Branch concerning the bond, and the amount of counter guarantee should not exceed the bond's face value and interest totalling RMB8.5 billion equivalents of USD.

On 11 September 2014, the Group's subsidiary Haitong International Finance 2014 Limited issued bonds guaranteed by HISGL in principal amount of USD600 million (equivalent to RMB3.67 billion). Please refer to the Company's 2014 audited consolidated financial statements for details of the bond.

The Company entered into a keepwell deed for the above bonds. The Company will undertake to cause Haitong International Finance 2014 Limited to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Haitong International Finance 2014 Limited of any amounts payable in respect of the bonds in accordance with the terms and conditions of the bonds any payments due under the keepwell deed.

On 29 January 2015, the Group's subsidiary Haitong International Finance 2015 Limited issued bonds guaranteed by HISGL in principal amount of USD700 million (equivalent to RMB4.28 billion). Please refer to HISGL'S announcements on 22, 23 and 29 January 2015 for details of the bond.

On 21 April 2015, the Group's subsidiary Haitong International Finance Holdings 2015 Limited issued bonds guaranteed by the Company in principal amount of USD670 million (equivalent to RMB4,096 million) at a discount of 99.891% which is listed on the Hong Kong Exchanges and Clearing Limited and guaranteed by the Company. The bond carries a fixed annual interest rate of 3.5% with a maturity period of 5 years. The principal will be full repayable on the maturity date at 20 April 2020.

On 15 May 2015, the Group's wholly owned subsidiary Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) issued private placement note in principal amount of RMB200 million at par which carries a fixed annual interest rate of 5.9% with a maturity period of 3 years.

- (iii) On 25 November 2013, the Company issued non-convertible bonds in principal amount of RMB12 billion at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principle amounts are RMB7.26 billion, RMB2.35 billion and RMB2.39 billion and bear interest rate at 6.05% per annum, 6.15% per annum and 6.18% per annum, respectively.

On 14 July 2014, the Company issued non-convertible bonds in principal amount of RMB11 billion at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principal amounts are RMB5.65 billion, RMB4.55 billion and RMB0.8 billion and bear interest rate at 5.25% per annum, 5.45% per annum and 5.85% per annum, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

41. BOND PAYABLES (continued)

Notes: (continued)

- (iv) On 30 May 2014 and 18 September 2014, the Group's wholly owned subsidiary Unican Limited issued guaranteed medium term note in principal amount of RMB500 million and RMB1,600 million at par respectively, which are listed on the Hong Kong Exchanges and Clearing Limited and guaranteed by the Group's subsidiary UT Capital. These notes carry fixed annual interest rate of 5.80% and 5.60% respectively with a maturity period of 3 years, and the interest will be paid semi-annually.

The Company entered into a keepwell deed for the above notes. The Company will undertake to cause Unican to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Unican of any amounts payable in respect of the notes in accordance with the terms and conditions of the notes any payments due under the Keepwell Deed.

On 20 November 2014, the Group's wholly owned subsidiary Haitong Unitrust Finance Leasing Corporation issued medium term note in principal amount of RMB400 million at par which carries a fixed annual interest rate of 5.39% with a maturity period of 3 years, and the interest will be paid annually.

The principal of these notes will be fully repayable on the maturity date.

On 26 February 2015, 4 May 2015 and 1 June 2015, the Group's subsidiary HISGL issued unsecured and unguaranteed non-convertible notes in principal amount of RMB200 million, RMB540 million and RMB330 million under the Group's Medium Term Note Programme (the "MTN Programme"). The non-convertible notes bear a fixed interest rate in the range of 3.8% to 4.5% per annum.

- (v) On 8 April 2015, the Company issued subordinated notes in principal amount of RMB15 billion at par. The bond carries a fixed interest rate of 5.5% per annum with a maturity period of 5 years, the Company has an option to redeem all or some of these notes at the face value on 8 April 2018.

On 12 June 2015, the Company issued subordinated notes in principal amount of RMB20 billion at par. Among which, notes amounting to RMB15 billion carries a fixed interest rate of 5.30% per annum with a maturity period of three years and notes amounting to RMB5 billion carries a fixed interest rate of 5.38% per annum with a maturity period of five years. The Company has an option to redeem all or some of notes at the face value on 12 June 2017 and 12 June 2018, respectively.

- (vi) On 7 May 2015, the Group's wholly owned subsidiary Haitong Unitrust International Leasing Corporation issued asset-backed security in aggregated principal amount of RMB1,362 million among which RMB14 million were held by the issuer. The securities are secured by the finance lease receivables of approximately RMB1,377 million, with interest rates ranged from 5.60% to 6.55% and maturity dates from 23 July 2015 to 23 October 2018.

- (vii) According to SAC's letter on approving the pilot of OTC income certificate business (SAC [2014]285), the Company was authorized to conduct income certificate business. The amount represents a product issued by the Company with maturities ranged from 14 months to 25 months. The corresponding yield of the outstanding income certificate were between 5.3% and 6.0%. Those products which will be settled within one year from period/year end are classified as the current portion of bond payables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

42. LONG-TERM PAYABLES

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Deposits from lessees	2,109,737	1,913,474
Others	23,162	27,645
	2,132,899	1,941,119

Long-term payables are mainly due to the guaranteed fund received by the Group through finance leasing business. All amounts will be settled in the second to fifth years from the period/year end, and are classified as non-current liabilities.

43. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Leases for the properties are negotiated for terms ranged from 1 year to 10 years.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Within one year	246,968	228,984
In the second to fifth year, inclusive	346,412	326,153
Over five years	25,451	47,987
	618,831	603,124

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

43. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

The lease terms are negotiated for terms ranged from 1 year to 10 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Within one year	11,421	12,358
In the second to fifth year, inclusive	26,217	29,833
Over five years	7,618	9,413
	45,256	51,604

44. CAPITAL COMMITMENTS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Capital expenditure in respect of acquisition of property and equipment: – Contracted but not provided for	39,950	40,239
	39,950	40,239

45. DIVIDENDS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Dividends recognised as distribution	2,875,425	1,150,166

Pursuant to the resolution of annual general meeting 2015 and 2014, the Company declared 2014 and 2013 final dividend of RMB0.25 and RMB0.12 per share respectively, satisfied by cash.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

46. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with the associate for the period ended 30 June 2015 and 2014:

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Broking fee income received and receivable from:		
– Fullgoal Fund Management Co. Ltd.	1,309	423
Interest expense paid and payable to:		
– Fullgoal Fund Management Co. Ltd.	(9)	(17)

The followings are the material transactions between the Group's subsidiary, HFT Investment Management Company Limited and BNP Paribas Investment Partners BE Holding SA ("BNP") (formerly known as Fortis Investment Management S.A.), its non-controlling shareholder, and its fellow subsidiaries:

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 RMB'000 (unaudited)
Financial advisory and consultancy fee income received and receivable from:		
– SHINHAN BNP (HK)	2,116	396
– BNP Paribas Investment Partners Asia Ltd	12,787	22,790
– BNP Paribas	650	–
Other operating expenses paid and payable to:		
– BNP Paribas Investment Partners Japan Ltd	(117)	(98)
– BNP Paribas Taiwan	(40)	–
– BNP Paribas Wealth Management Bank	–	(12)
– BNP Paribas Investment Partners Singapore Ltd	(11)	(9)
– BNP Paribas Investment Partners Asia Ltd	(166)	(50)
– BNP Paribas Investment Partners Hong Kong Ltd	(107)	–
– BNP Paribas Investment Partners Switzerland Ltd	(540)	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

46. RELATED PARTY TRANSACTIONS (continued)

The followings are the material transactions between the Group's subsidiary, HFT Investment Management Company Limited and BNP Paribas Investment Partners BE Holding SA ("BNP") (formerly known as Fortis Investment Management S.A.), its non-controlling shareholder, and its fellow subsidiaries: (continued)

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Accounts receivable from:		
– SHINHAN BNP (HK)	1,548	278
– BNP Paribas Investment Partners Asia Ltd	13,064	12,874
– BNP Paribas	649	105
Accounts payable to:		
– BNP Paribas Investment Partners Japan Ltd	(97)	(67)
– BNP Paribas Wealth Management Bank	–	(61)
– BNP Paribas Investment Partners Singapore Ltd	(5)	–
– BNP Paribas Investment Partners Asia Ltd.	(80)	(113)
– BNP Paribas Investment Partners Switzerland Ltd	(257)	(310)
– BNP Paribas Taiwan	(20)	–
– BNP Paribas Investment Partners Hong Kong Ltd	(54)	–

The followings are the material transactions between the Group's subsidiary, Haitong Capital Investment Co., Ltd., and the Group's associates, Jilin Modern Agricultural and Emerging Markets Investment Fund Limited ("Jilin") and Xi'an Aerospace and New Energy Industry Fund ("Xi'an Aerospace"), Cultural Industries Investment Fund ("Cultural Industries Fund"), Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership) ("Haitong Jilin") and Shanghai Equity Investment Fund (Limited Partnership) ("Shanghai Fund"):

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 <i>RMB'000</i> (unaudited)
Asset management fee income		
– Jilin	10,000	10,000
– Xi'an Aerospace	9,960	9,960
– Cultural Industries Fund	21,447	21,695
– Shanghai Fund	30,460	–
– Haitong Jilin	2,940	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

46. RELATED PARTY TRANSACTIONS (continued)

The followings are the material transactions between the Group's subsidiary, Haitong Capital Investment Co., Ltd., and the Group's associates, Jilin Modern Agricultural and Emerging Markets Investment Fund Limited ("Jilin") and Xi'an Aerospace and New Energy Industry Fund ("Xi'an Aerospace"), Cultural Industries Investment Fund ("Cultural Industries Fund"), Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership) ("Haitong Jilin") and Shanghai Equity Investment Fund (Limited Partnership) ("Shanghai Fund"): (continued)

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Financial assets sold under repurchase agreement:		
– Cultural Industries Fund	(72,700)	–

The remuneration of the key management personnel of the Group was as follows:

	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 <i>RMB'000</i> <i>(unaudited)</i>
Short-term benefits:		
– Fees, salaries, commission and bonuses	12,637	14,089
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	1,785	1,328
	14,422	15,417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

47. SEGMENT REPORTING

The segment information provided to the chief operating decision maker for the six months ended 30 June 2015 and the six months ended 30 June 2014 are as follows:

For the six months ended 30 June 2015 (unaudited)

	Securities and futures brokerage	Asset management	Proprietary trading	Investment banking	Direct investment	Headquarters and others	Finance lease	Overseas operations	Segment total	Eliminations	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results											
Revenue											
– External	15,056,742	1,574,174	4,204,311	949,625	270,878	1,594,043	973,456	3,380,396	28,003,625	-	28,003,625
– Inter-segment	765,623	132,694	-	4,383	6,640	1,625,986	-	55,516	2,590,842	(2,590,842)	-
Other income and gains	14,178	11,155	1,243,151	800	-	514,874	307,901	(18,116)	2,073,943	-	2,073,943
Segment revenue	15,836,543	1,718,023	5,447,462	954,808	277,518	3,734,903	1,281,357	3,417,796	32,668,410	(2,590,842)	30,077,568
Segment expenses	(8,619,667)	(977,028)	(1,944,430)	(302,171)	(35,618)	(4,220,811)	(909,082)	(1,538,369)	(18,547,176)	2,253,638	(16,293,538)
Segment results	7,216,876	740,995	3,503,032	652,637	241,900	(485,908)	372,275	1,879,427	14,121,234	(337,204)	13,784,030
Share of results of associates	-	-	-	-	2,911	137,547	-	28,373	168,831	-	168,831
Profit before income tax	7,216,876	740,995	3,503,032	652,637	244,811	(348,361)	372,275	1,907,800	14,290,065	(337,204)	13,952,861

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

47. SEGMENT REPORTING (continued)

For the six months ended 30 June 2014 (unaudited)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Finance lease RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results											
Revenue											
- External	3,214,374	675,672	1,396,777	673,427	189,728	920,678	689,801	906,521	8,666,978	-	8,666,978
- Inter-segment	277,452	(145,871)	19,603	2,699	43	949,590	-	-	1,103,516	(1,103,516)	-
Other income and gains	10,435	366	109,407	2	2,500	111,774	22,247	(6,477)	250,254	-	250,254
Segment revenue	3,502,261	530,167	1,525,787	676,128	192,271	1,982,042	712,048	900,044	10,020,748	(1,103,516)	8,917,232
Segment expenses	(2,497,016)	(294,588)	(459,239)	(271,848)	(11,945)	(1,488,829)	(471,489)	(689,673)	(6,184,627)	1,090,220	(5,094,407)
Segment results	1,005,245	235,579	1,066,548	404,280	180,326	493,213	240,559	210,371	3,836,121	(13,296)	3,822,825
Share of results of associates	-	164	-	-	(8,777)	43,491	-	2,015	36,893	-	36,893
Profit before income tax	1,005,245	235,743	1,066,548	404,280	171,549	536,704	240,559	212,386	3,873,014	(13,296)	3,859,718

The Group operates in two principal geographical areas, the PRC (excluding Hong Kong, Macau and Taiwan) and overseas, representing the locations of the majority of the income from external customers and non-current assets of the Group. Segment revenue and non-current assets in respect of overseas operations segment are substantially attributable to Hong Kong. No single customer contributes more than 10% of the Group's income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

48. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group based on the remaining contractual maturity as at 30 June 2015 and 31 December 2014 is as follows:

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Unaudited					
As at 30 June 2015					
Assets					
Loans and advances to customers	-	142,611,279	-	-	142,611,279
Bank balances and cash (including restricted bank deposits)	224,473,654	9,421,072	4,500	-	233,899,226
Clearing settlement funds (client money)	26,898,464	-	-	-	26,898,464
Financial assets held under resale agreements	1,006,857	58,903,293	18,478,579	-	78,388,729
Debt securities classified as:					
Financial assets held for trading	-	2,216,991	20,746,667	6,853,081	29,816,739
Available-for-sale investments (bond investment)	-	69,836	993,331	556,597	1,619,764
Held-to-maturity investments	-	20,656	73,181	-	93,837
Loan and receivable investments	-	5,297,164	3,483,416	-	8,780,580
Finance lease receivables	272,628	8,644,615	14,452,973	-	23,370,216
	252,651,603	227,184,906	58,232,647	7,409,678	545,478,834
Liabilities					
Borrowings from banks	-	28,265,151	7,399,389	-	35,664,540
Financial assets sold under repurchase agreements	-	112,482,245	7,834,110	-	120,316,355
Short-term financing bills payables	-	36,188,505	-	-	36,188,505
Placements from banks and other financial institutions	-	8,480,000	-	-	8,480,000
Accounts payable to brokerage clients (money held on behalf of clients only)	184,614,818	-	-	-	184,614,818
Bond Payables	-	4,756,619	78,890,912	7,383,655	91,031,186
	184,614,818	190,172,520	94,124,411	7,383,655	476,295,404

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

48. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Audited					
As at 31 December 2014					
Assets					
Loans and advances to customers	–	64,883,359	–	–	64,883,359
Bank balances and cash (including restricted bank deposits)	71,788,511	14,086,573	213,000	–	86,088,084
Clearing settlement funds (client money)	13,537,613	–	–	–	13,537,613
Financial assets held under resale agreements	–	52,873,455	10,292,634	–	63,166,089
Placements to banks and other financial institutions	–	2,000,000	–	–	2,000,000
Debt securities classified as:					
Financial assets held for trading	–	3,158,081	17,724,521	10,478,574	31,361,176
Available-for-sale investments	–	66,463	2,847,701	998,073	3,912,237
Held-to-maturity investments	–	3,006	309,816	–	312,822
Loan and receivable investments	–	3,347,033	4,470,404	–	7,817,437
Finance lease receivables	200,877	7,198,196	12,826,396	–	20,225,469
	85,527,001	147,616,166	48,684,472	11,476,647	293,304,286
Liabilities					
Short-term borrowings	1,006,000	18,801,574	–	–	19,807,574
Financial assets sold under repurchase agreements	–	59,807,864	14,910,000	–	74,717,864
Short-term financing bills payables	–	22,926,586	–	–	22,926,586
Placements from banks and other financial institutions	–	14,270,000	–	–	14,270,000
Accounts payable to brokerage clients (money held on behalf of clients only)	80,766,843	–	–	–	80,766,843
Bond payables	–	–	32,602,151	3,173,516	35,775,667
Long-term borrowings	–	–	4,537,684	–	4,537,684
Long-term payables	–	–	1,941,119	–	1,941,119
	81,772,843	115,806,024	53,990,954	3,173,516	254,743,337

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

49. FINANCIAL INSTRUMENTS

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> <i>(audited)</i>
Financial assets		
Loans and receivables	510,026,949	248,971,142
Finance lease receivables	23,370,216	20,225,469
Available-for-sale investments	16,972,465	12,705,394
Held-to-maturity investments	93,837	312,822
Financial assets at fair value through profit or loss	67,303,980	57,800,437
	617,767,447	340,015,264
Financial liabilities		
Amortised cost	489,598,310	251,619,239
Financial liabilities at fair value through profit or loss	21,707,609	16,036,610
	511,305,919	267,655,849

50. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity and debt investments, trusts, structured products, derivative instruments, advances to customers, accounts receivable, other receivables, financial assets held under resale agreements, clearing settlement funds, deposits with exchanges, bank balances and cash, pledged bank deposits, borrowings, placements from banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, bonds payable, short-term financing bills payable and other payables. The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, currency risk and interest rate risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk

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

The Group is exposed to price risk arising from individual investment classified as financial assets held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of investments. The Group enter into derivatives contracts to hedge against the exposure arising from the securities lending activities.

Price risk exposures are measured using value-at-risk (VaR) at the Company level.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Value at Risk (VaR) analysis

The VaR risk measure estimates the potential loss over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 95% VaR number used by the Company reflects the 95% probability that the daily loss will not exceed the reported VaR.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk (continued)

Value at Risk (VaR) analysis (continued)

The following VaR methodologies apply to the Company.

	30.6.2015 RMB'000 (unaudited)	31.12.2014 <i>RMB'000</i> (audited)
Historical VaR (95%, one-day) by risk type		
Total VaR exposure	215,455	111,000

	Average	
	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 <i>RMB'000</i> (unaudited)
Historical VaR (95%, one-day) by risk type		
Total VaR exposure	148,800	58,000

	Minimum	
	1.1.2015 to 30.6.2015 RMB'000 (unaudited)	1.1.2014 to 30.6.2014 <i>RMB'000</i> (unaudited)
Historical VaR (95%, one-day) by risk type		
Total VaR exposure	90,103	29,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk (continued)

Value at Risk (VaR) analysis (continued)

	Maximum	
	1.1.2015 to 30.6.2015 <i>RMB'000</i> (unaudited)	1.1.2014 to 30.6.2014 <i>RMB'000</i> (unaudited)
Historical VaR (95%, one-day) by risk type		
Total VaR exposure	215,455	111,000

The subsidiaries of the Company have utilised the sensitivity analysis of security price variation on net profit for the period and revaluation reserve, rather than VaR methodology, to manage and analyse the price risk. The management estimates that reasonably possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and other variables constant held, the impact on the profit for the period and investment revaluation reserve are as follows:

	30.6.2015 <i>RMB'000</i> (unaudited)	30.6.2014 <i>RMB'000</i> (unaudited)
Profit for the year		
Increase by 10%	510,988	9,001
Decrease by 10%	(510,988)	(9,001)
Investment revaluation reserve		
Increase by 10%	5,406	12,367
Decrease by 10%	(5,406)	(12,367)

In the above analysis, management also considers the case of an available-for-sale equity investment where a reasonably possible downward fall in the equity price would lead to an impairment of the investment, the effect of loss would be shown as affecting profit or loss and the cumulative loss previously recognised in investment revaluation reserve would be reclassified to profit or loss, but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In the case that an available-for-sale equity investment that has already been impaired, a reasonably possible downward fall in the equity price may continue to be recognised in profit or loss but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the reporting period-end exposure does not reflect the exposure during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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 currencies of financial assets and liabilities of the respective entities within the Group are mainly denominated in their functional currencies except that as at 30 June 2015, the Group's Hong Kong subsidiaries and a subsidiary in mainland China have certain monetary assets and liabilities denominated in currencies different from their functional currencies. The overall exposure of currency risk is limited.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's bank deposits, advances to customers, clearing settlement funds, held to maturity investments, debt securities, accounts payable to brokerage clients, deposits taken from financial institutions and borrowings. There has been no changes in the interest rate risk management policies since 31 December 2014.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate financial assets and liabilities. The analysis is prepared assuming the financial instruments outstanding at the end of the period were outstanding for the whole period. When reporting to the management on the interest rate risk, the Company will adopt a 50 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the six months ended 30 June 2015 and 30 June 2014 would decrease/increase by RMB88,305,000 and RMB264,168,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances, accounts payable to brokerage clients and held for trading debt securities; and
- Investment revaluation reserve for the six months ended 30 June 2015 and 30 June 2014 would decrease/increase by RMB18,220,000 and RMB24,364,000, respectively, mainly as a result of the changes in the fair value of available-for-sale debt investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit exposures arise principally from investments in debt securities, advances to customers, accounts receivable, clearing settlement funds and bank balances which are included in the Group's asset portfolios. There has been no change in the credit risk management policies since 31 December 2014.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from other financial institutions in the market, and the ability to close out market positions. As part of the measures to safeguard liquidity, the Group has maintained substantial long-term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the instruments are used for non-optional derivatives, and option pricing models are used for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's condensed consolidated statement of financial position approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external valuers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 30 June 2015 In RMB'000	Fair value as at 31 December 2014 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Listed options	Derivative instruments	–	211 (Asset)	Level 1	The fair value of listed option was determined by quoted bid prices in an active market.	N/A	N/A
2) Unlisted options	Derivative instruments	46,495 (Liabilities)	55,960 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on option pricing model, in consideration of contract term, share price, interest rate, etc.	N/A	N/A
3) Equity linked notes and Debt linked notes	Derivative instruments	666,384 (Asset)	456,557 (Asset)	Level 2	The fair value of the equity linked notes and debt linked notes were determined with reference to the quoted price of the underlying equity and debt instruments.	N/A	N/A
4) Forward contracts	Derivative instruments	14,628 (Asset) 261,813 (Liabilities)	154,253 (Asset) 163,860 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on observable forward exchange rates and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
5) Interest rate swap contracts	Derivative instruments	18,746 (Asset) 27,366 (Liabilities)	31,190 (Asset) 22,530 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
6) Embedded equity instrument	Derivative instruments	3,704 (Liabilities)	4,636 (Liabilities)	Level 2	The fair value was determined with reference to the underlying listed equity investments.	N/A	N/A
7) Equity swap contracts	Derivative instruments	4,011 (Asset)	–	Level 2	Discounted cash flows. Future cash flows are estimated with reference to the market or recent transaction prices of underlying assets, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 30 June 2015 In RMB'000	Fair value as at 31 December 2014 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
8) Listed equity investments (non-restricted shares), funds investments and debt investments	Financial assets at fair value through profit or loss/Financial liabilities held for trading	38,805,464 (Asset)	34,868,576 (Asset)	Level 1	Quoted bid prices in an active market.	N/A	N/A
		391,584 (Asset)	67,632 (Asset)	Level 2	The fair value of equity investments in the National Equities Exchange and Quotations was based on the recent transaction price of the investments.		
		506,018 (Liabilities)	230,464 (Liabilities)	Level 1	Quoted bid prices in an active market for listed equity investments.		
	Available-for-sale investments	1,463,083	2,338,721	Level 1	Quoted bid prices in an active market.		
		128,511	—	Level 2	The fair value of equity investments in the National Equities Exchange and Quotations was based on the recent transaction price of the investments.		
9) Unlisted equity investments (non-restricted shares)	Financial assets at fair value through profit or loss	1,781,786	2,073,142	Level 2	The fair value was based on the recent transaction price of the investments.	N/A	N/A
	Available-for-sale investments	13,209	8,086		Fair values have been determined based on the market value of related listed equities issued by the same listed companies.		
10) Debt investments in interbank market	Financial assets at fair value through profit or loss/Financial liabilities held for trading	17,909,970 (Asset)	13,577,468 (Asset)	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
		928,069 (Liabilities)	26,764 (Liabilities)				
	Available-for-sale investments	788,296	823,095				
11) Unlisted fund investments	Financial assets at fair value through profit or loss	5,170,830	5,959,955	Level 2	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	Available-for-sale investments	1,476,720	486,636				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 30 June 2015 In RMB'000	Fair value as at 31 December 2014 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
12) Investments in structure products, trust and other products (investing in equity or debt other than unlisted private equity)	Financial assets at fair value through profit or loss Available-for-sale investments	2,540,577 5,128,558 –	611,453 3,125,109 7,043	Level 2 Level 1	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable(quoted) prices of underlying investment portfolio. and adjustments of related expenses. Quoted bid prices in an active market.	N/A	N/A
13) Restricted shares and funds	Available-for-sale investments	1,548,208	588,601	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the prices of listed securities.	The higher the discount, the lower the fair value.
14) Financial liabilities arising from consolidation of structured entities	Financial liabilities held for trading	9,457,785	11,347,476	Level 2	Based on the net asset values of the structured entities, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
15) Structured notes issued	Financial liabilities designated as FVTPL	3,663,099 –	2,569,490 11,657	Level 2	The fair value was determined with reference to the market or recent transaction prices of underlying assets. The fair value of the investment was determined with reference to dealing price of the underlying unlisted debt investment which is based on discounted cash flow that the future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
16) Gold lending business	Financial liabilities designated as FVTPL	6,813,260	1,603,773	Level 2	The fair value was determined with reference to the fair value of the underlying gold.	N/A	N/A
17) Investments in structure products	Available-for-sale investments	2,212,812	2,097,725	Level 3	Discounted future cash flows based on expected cash flows discounted at rate taking into account of the credit risk of the issuer.	Credit risk spread (loss given default)	The higher the loss given default, the lower the fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

As at 30 June 2015 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	24,608	13,209	407,612	445,429
Financial services	237,079	128,511	952,861	1,318,451
Information transmission, software and information technology	–	–	165,789	165,789
Mining	23	–	–	23
Real Estate	1,884	–	–	1,884
Leasing and business services	–	–	21,946	21,946
– Debt securities				
Corporate bonds	831,468	758,210	–	1,589,678
Other debts	–	30,086	–	30,086
– Funds	368,021	1,476,720	–	1,844,741
– Others				
Asset Management Plan	–	4,402,765	1,424,202	5,826,967
Trust	–	52,253	–	52,253
Other	–	673,540	788,610	1,462,150
Subtotal	1,463,083	7,535,294	3,761,020	12,759,397

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

As at 30 June 2015 (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	7,135,127	366,140	–	7,501,267
Financial services	6,100,255	1,607,193	–	7,707,448
Information transmission, software and information technology	2,497,616	84,109	–	2,581,725
Mining	531,118	7,644	–	538,762
Construction	538,360	14,534	–	552,894
Electricity, heat, gas and water production and supply	791,185	–	–	791,185
Transportation, storage and postal services	757,508	–	–	757,508
Wholesale and retail	548,902	675	–	549,577
Real Estate	1,004,084	11,526	–	1,015,610
Water conservancy, environment and public facilities management	204,036	10,886	–	214,922
Farming, forest, herd, fishery	144,933	6,052	–	150,985
Culture, sports and entertainments	265,515	30,729	–	296,244
Leasing and business services	202,239	29,882	–	232,121
Comprehensive	111,718	–	–	111,718
Scientific research and technical services	11,605	4,000	–	15,605
Accommodation and catering industry	21,084	–	–	21,084
Health and social work	207,630	–	–	207,630
– Debt securities				
Corporate bonds	7,306,330	11,915,001	–	19,221,331
Government bonds	4,586,981	1,963,661	–	6,550,642
Other bonds	13,457	4,031,308	–	4,044,765
– Funds	5,825,781	5,170,830	–	10,996,611
– Others				
Asset management plan	–	2,318,149	–	2,318,149
Others	–	222,428	–	222,428
– Derivative financial assets	–	703,769	–	703,769
Subtotal	38,805,464	28,498,516	–	67,303,980
Total assets	40,268,547	36,033,810	3,761,020	80,063,377
Derivative financial liabilities	–	339,378	–	339,378
Held for trading financial liabilities	506,018	10,385,854	–	10,891,872
Financial liabilities designated at FVTPL	–	10,476,359	–	10,476,359
Total liabilities	506,018	21,201,591	–	21,707,609
Net amounts of assets and liabilities	39,762,529	14,832,219	3,761,020	58,355,768

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

*Fair value of financial assets and liabilities (continued)**Financial instruments measured at fair value (continued)***As at 31 December 2014 (audited)**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	282,918	8,086	494,131	785,135
Financial services	424,490	–	–	424,490
Information transmission, software and information technology	7,754	–	94,470	102,224
Mining	35,505	–	–	35,505
Construction	23,411	–	–	23,411
Electricity, heat, gas and water production and supply	7,096	–	–	7,096
Transportation, storage and postal services	14,990	–	–	14,990
Wholesale and retail	13,626	–	–	13,626
Real Estate	31,619	–	–	31,619
Water conservancy, environment and public facilities management	4,367	–	–	4,367
Farming, forest, herd, fishery	3,870	–	–	3,870
Culture, sports and entertainments	45,831	–	–	45,831
Leasing and business services	3,773	–	–	3,773
Comprehensive	4,673	–	–	4,673
– Debt securities				
Corporate bonds	991,417	793,049	–	1,784,466
Other debts	–	30,046	–	30,046
– Funds	443,381	486,636	–	930,017
– Structured and trust products	7,043	3,125,109	2,097,725	5,229,877
Subtotal	2,345,764	4,442,926	2,686,326	9,475,016

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

As at 31 December 2014 (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	5,096,414	551,379	–	5,647,793
Financial services	4,027,370	1,527,383	–	5,554,753
Information transmission, software and information technology	344,388	53,257	–	397,645
Mining	481,904	–	–	481,904
Construction	399,995	–	–	399,995
Electricity, heat, gas and water production and supply	333,650	–	–	333,650
Transportation, storage and postal services	211,155	–	–	211,155
Wholesale and retail	248,403	–	–	248,403
Real Estate	315,652	–	–	315,652
Water conservancy, environment and public facilities management	41,096	2,400	–	43,496
Farming, forest, herd, fishery	25,287	6,355	–	31,642
Culture, sports and entertainments	206,229	–	–	206,229
Leasing and business services	43,368	–	–	43,368
Comprehensive	64,066	–	–	64,066
Scientific research and technical services	2,930	–	–	2,930
Accommodation and catering industry	23,847	–	–	23,847
Health and social work	4,546	–	–	4,546
– Debt securities				
Corporate bonds	9,894,706	10,870,687	–	20,765,393
Government bonds	6,910,987	745,612	–	7,656,599
Other bonds	978,015	1,961,169	–	2,939,184
– Funds	5,214,568	5,959,955	–	11,174,523
– Structured and trust products	–	611,453	–	611,453
– Derivative financial assets	211	642,000	–	642,211
Subtotal	34,868,787	22,931,650	–	57,800,437
Total assets	37,214,551	27,374,576	2,686,326	67,275,453
Derivative financial liabilities	–	246,986	–	246,986
Held for trading financial liabilities	230,464	11,374,240	–	11,604,704
Financial liabilities designated at FVTPL	–	4,184,920	–	4,184,920
Total liabilities	230,464	15,806,146	–	16,036,610
Net amounts of assets and liabilities	36,984,087	11,568,430	2,686,326	51,238,843

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

50. FINANCIAL RISK MANAGEMENT (continued)

*Fair value of financial assets and liabilities (continued)**Financial instruments measured at fair value (continued)*

The following table represents the changes in Level 3 available-for-sale investments for the six months ended 30 June 2015.

	Restricted Equity Securities					Total RMB'000
	Manufacturing RMB'000	Information transmission RMB'000	Financial industry RMB'000	Leasing service RMB'000	Others RMB'000	
As at 1 January 2015	494,131	94,470	–	–	2,097,725	2,686,326
Purchase	88,181	–	637,994	17,666	–	743,841
Transfer out	(452,180)	–	–	–	–	(452,180)
Total gains or losses – in other comprehensive income	277,480	71,319	314,867	4,280	115,087	783,033
As at 30 June 2015	407,612	165,789	952,861	21,946	2,212,812	3,761,020

The following table represents the changes in Level 3 available-for-sale investments for the the year ended 31 December 2014.

	Restricted Equity Securities					Restricted fund RMB'000	Others RMB'000	Total RMB'000
	Manufacturing RMB'000	Information transmission RMB'000	Entertainment RMB'000	Farming RMB'000	Others RMB'000			
As at 1 January 2014	112,131	–	75,241	76,215	10,491	–	274,078	
Purchase	538,324	87,000	–	–	–	2,096,170	2,721,494	
Transfer out	(52,746)	–	(75,000)	(65,100)	(10,100)	–	(202,946)	
Total gains or losses – in other comprehensive income	(103,578)	7,470	(241)	(11,115)	(391)	1,555	(106,300)	
As at 31 December 2014	494,131	94,470	–	–	–	2,097,725	2,686,326	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

51. BUSINESS COMBINATION

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	transferred consideration <i>RMB'000</i>
Japaninvest group plc	investment	31/3/2015 (London time)	100%	148,779
UT Capital Group	financial lease	15/1/2014	100%	4,483,000
				<u>4,631,779</u>

Japaninvest group plc

On 31 March 2015 (London time), the court in the United Kingdom has sanctioned the acquisition offered by Haitong International (BVI) Limited ("Haitong BVI"), a wholly owned subsidiary of HISGL, to acquire 100% issued shares of Japaninvest Group plc ("Japaninvest") for consideration of JPY2,878,200,000 (equivalent to RMB148,779,000). Japaninvest was a listed company in the Tokyo Stock Exchange and delisted on 26 March 2015 due to the acquisition after the approval from the court in the United Kingdom and shareholders on 2 March 2015.

Japaninvest is engaged in providing pan-Asia equity research, analysis and sales advice for the benefit of investing clients. Japaninvest was acquired so as to extend the reach of its business network to international market and to establish an extensive institutional client base through research report releases, in turn presenting new business opportunities the Group.

Consideration transferred

	<i>RMB'000</i>
Cash	<u>148,779</u>

Acquisition-related costs amounting to RMB1.49 million have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the other operating expenses in the unaudited condensed consolidated statement of profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

51. BUSINESS COMBINATION (continued)

Assets and liabilities recognised at the date of acquisition (Determined on a provisional basis)

	<i>RMB'000</i>
Non-current assets	
Property and equipment	1,794
Current assets	
Accounts receivable	5,605
Other receivables and prepayments	7,151
Deferred tax assets	820
Bank balance and cash	11,190
Total current assets	24,766
Total assets	26,560
Current liabilities	
Other payables and accruals	(26,807)
Tax liabilities	(450)
Total liabilities	(27,257)
Net liabilities acquired at the date of acquisition	(697)

In the opinion of the directors of the Company, the fair values of the other receivables acquired (which principally comprised accounts receivable and other receivables) approximate to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

51. BUSINESS COMBINATION (continued)

Goodwill arising on acquisition(determined on a provisional basis)

	<i>RMB'000</i>
Consideration transferred	148,779
Add: Net identifiable liabilities acquired	697
Goodwill arising on acquisition	<u>149,476</u>

Goodwill arose in the acquisition of Japaninvest because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Japaninvest. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Up to the reporting date, the initial accounting of the business combination, including the determination of the fair value of identifiable assets and liabilities acquired and measurement of goodwill or a gain from a bargain purchase are in the assessment process by the management of the Group. Thus, the disclosures are presented by the management on a provisional basis in the condensed consolidated financial statements.

Net cash outflow arising on acquisition

	<i>RMB'000</i>
Consideration paid in cash	148,779
Less: bank balance and cash balances acquired	<u>(11,190)</u>
Net cash outflow arising on acquisition	<u>137,589</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

51. BUSINESS COMBINATION (continued)

Impact of acquisition on the results of the Group

Included in the profit for the interim period is approximately RMB2.21 million attributable to the additional business generated by Japaninvest. Revenue for the interim period includes approximately RMB19.87 million generated from Japaninvest.

Had the acquisition been completed on 1 January 2015, total revenue and profit of the Group for the interim period would have been RMB28,040 million, and RMB10,928 million, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Japaninvest been acquired at the beginning of the current interim period, the directors have calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

UT Capital Group

In January 2014, the transaction that HTIH, a wholly-owned subsidiary of the Company, to acquire 100% shares of UT Capital Group from UT Capital Holdings, an independent third party, has been completed. UT Capital Group together with its three directly or indirectly wholly-owned subsidiaries, namely, Haitong UniTrust International Leasing Corporation, UniFortune International Leasing Corporation, and Shanghai Unicircle Investment & Development Corporation, became the subsidiaries of the Group. UT Capital Group mainly engages in finance lease business. The acquisition is intended to expand the business scope of the Group.

Consideration transferred

The consideration of the acquisition is cash, which is USD715 million and is equivalent to RMB4,483 million at the exchange rate of acquisition date. Acquisition-related costs have been excluded from the cost of acquisition and are recognized directly as expenses when they are incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

51. BUSINESS COMBINATION (continued)

Assets and liabilities recognised at the date of acquisition (RMB'000)

Current assets

Bank balances and cash	719,700
Finance lease receivables	4,899,008
Account receivables	42,010
Financial assets held under resale agreements	50,000
Financial assets at fair value through profit or loss	7,436
Other receivables and prepayments	31,578

Total current assets 5,749,732

Non-current assets

Finance lease receivables	7,529,089
Property and equipment	7,152
Other intangible assets	4,598
Deferred tax assets	76,745
Other receivables and prepayments	2,903

Total non-current assets 7,620,487

Total assets 13,370,219

Current liabilities

Borrowings	4,726,775
Financial liabilities at fair value through profit or loss	1,514
Financial assets sold under repurchase agreements	401,550
Accounts payable	587,563
Tax liabilities	36,405
Other payable and accruals	159,263

Total current liabilities 5,913,070

Non-current liabilities

Borrowings	3,598,771
Long term payables	1,343,406

Total non-current liabilities 4,942,177

Total liabilities 10,855,247

Net assets 2,514,972

The receivables acquired (which principally comprised finance lease receivables) with a fair value of RMB12,504,588,000 at the date of acquisition had gross contractual amount of RMB14,735,354,000, including unrecognized finance income RMB2,015,192,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB215,574,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

51. BUSINESS COMBINATION (continued)

Goodwill arising on acquisition (RMB'000)

Consideration transferred	4,483,832
Less: Net identifiable assets acquired	(2,514,972)

<u>Goodwill arising on acquisition</u>	<u>1,968,860</u>
--	------------------

Goodwill arose from control premium included in the consideration. The consideration also took into account the expected synergies, revenue increase, market expansion, and the assembled workforce of UT capital. These kind of interests does not satisfy the recognition standard of intangible assets, thus it will not be recognized separately from provisional goodwill.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition (RMB'000)

Consideration paid in cash	4,483,832
Less: cash and cash equivalent balances acquired	(699,794)

<u>Net cash outflow arising on acquisition</u>	<u>3,784,038</u>
--	------------------

Impact of acquisition on the results of the Group

The business combination was completed at the beginning of year 2014. The revenue and profit of UT Capital since the acquisition date included in the condensed consolidated statement of profit or loss for the six month period ended 30 June 2014 was RMB182,059,000 and RMB689,144,000 respectively.

52. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current period presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

53. SUBSEQUENT EVENT

On 2 July 2015, the Group's subsidiary, Unican Limited, issued bonds in principal amount of RMB1 billion at par. The bonds carries an interest rate of 5.15% with a maturity of 3 years and are fully guaranteed by Haitong UT Capital Group Co., Limited.

On 6 July 2015, during the 8th extraordinary meeting of the 6th Board, it was approved that the Company would enter into the Master Agreement for OTC Derivatives Trading in the China Securities Futures Market (《中國證券期貨市場場外衍生品交易主協議》) and the Confirmation of Return Swaps Trading (《收益互換交易確認書》) with China Securities Finance Corporation Limited to invest in blue chip ETFs with a contribution equivalent to 15% of its net asset position as at 30 June 2015.

On December 2014, the Company's wholly owned subsidiary, HITH, entered into a contract with Nova Banco to acquire all the outstanding shares of BANCO ESPIRITO SANTO DE INVESTIMENTO, S.A. ("BESI"). The total consideration was EUR379 million (equivalent to RMB2.8 billion). BESI is a fully licensed bank and has many core subsidiaries in several countries. As at 13 August 2015, the Company has obtained all the approvals from related regulatory authorities, which are the preconditions for the acquisition. As at the interim report's reporting date, the acquisition has not been completed.

On 24 August 2015, the Company received the Notice of Investigation (Jin Zheng Diao Cha Zi No. [2015011]) from the CSRC, which stated that the CSRC had decided to carry out an investigation against the Company pursuant to the Securities Law of the People's Republic of China for suspected violations of the Company in relation to failure to review and verify the identity of clients in accordance with rules. During the investigation, the Company will fully cooperate with the CSRC and strictly fulfil any obligations of information disclosure under regulatory requirements. So far, the business of the Company is under normal operations and currently, it is estimated that such investigation will not have material impact on the consolidated financial statements of the Group.