



国联证券股份有限公司 GUOLIAN SECURITIES CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)
Stock code: 1456

2017

Interim Report



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Company Information

COMPANY NAME

Chinese Name: 國聯證券股份有限公司
English Name: Guolian Securities Co., Ltd.

LEGAL REPRESENTATIVE

Mr. Yao Zhiyong

DIRECTORS

Executive Directors

Mr. Peng Yanbao (President)

Non-executive Directors

Mr. Yao Zhiyong (Chairman of the Board)
Mr. Hua Weirong
Mr. Zhou Weiping
Mr. Liu Hailin
Mr. Zhang Weigang

Independent Non-executive Directors

Ms. Chen Qingyuan
Mr. Lee Pak Hay
Mr. Lu Yuanzhu

SUPERVISORS

Mr. Jiang Zhiqiang (Chairman)
Mr. Zhou Weixing
Mr. Ren Jun
Ms. Shen Ying
Ms. Yu Lei

BOARD COMMITTEES

Strategy Committee

Mr. Yao Zhiyong (Chairman)
Mr. Peng Yanbao
Mr. Hua Weirong
Mr. Zhou Weiping
Mr. Lee Pak Hay

Remuneration and Nomination Committee

Mr. Lee Pak Hay (Chairman)
Ms. Chen Qingyuan
Mr. Hua Weirong

Audit Committee

Ms. Chen Qingyuan (Chairlady)
Mr. Lu Yuanzhu
Mr. Zhou Weiping

Risk Control Committee

Mr. Yao Zhiyong (Chairman)
Mr. Hua Weirong
Mr. Zhou Weiping
Mr. Liu Hailin
Ms. Chen Qingyuan

SECRETARY OF THE BOARD

Mr. Li Zhengquan

COMPANY SECRETARY

Ms. Lin Fanyu

AUTHORIZED REPRESENTATIVES

Mr. Yao Zhiyong
Mr. Peng Yanbao

HEADQUARTERS IN THE PRC

Registered address of the Company:
No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
Office address of the Company:
9th Floor, No. 8 Jinrong One Street,
Wuxi, Jiangsu Province, the PRC
Website of the Company: www.glsc.com.cn
E-mail: glsc-ir@glsc.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

ACCOUNTANTS

Domestic: Deloitte Touche Tohmatsu
Certified Public Accountants LLP
International: Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAW

Clifford Chance LLP

STOCK CODE

Hong Kong Stock Exchange Stock Code of H Shares: 01456

SHARE REGISTRAR

For Domestic Shares:
China Securities Depository and Clearing Corporation Limited
For H Shares:
Computershare Hong Kong Investor Services Limited

Financial Highlights

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

PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICES

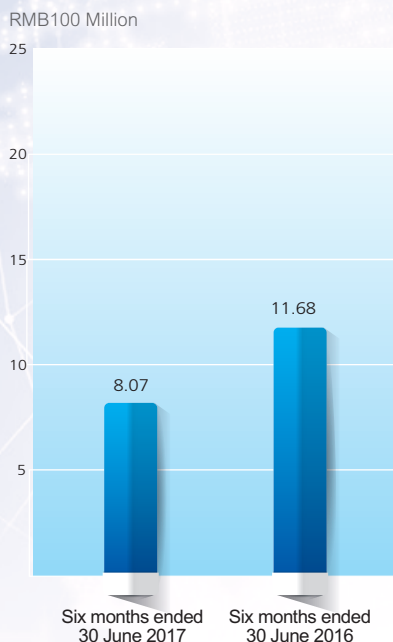
Item	Six months Ended 30 June 2017	Six months Ended 30 June 2016	Variance in comparison with the corresponding period of last year (%)
Operating results (RMB'000)			
Total revenue and other income	806,815	1,167,950	-30.92
Profit before income tax	307,166	468,944	-34.50
Interim profit-attributable to the Company's shareholders	237,931	334,322	-28.83
Net cash inflows/(outflows) from operating activities	-1,414,162	943,257	-249.92
Earnings per share (RMB/share)			
Basic earnings per share	0.13	0.18	-27.78
Diluted earnings per share	0.13	0.18	-27.78
Profitability index			
- Return on equity ^(note 1) (%)	3.15	4.46	decreased by 1.31 percentage points
Scale indicators (RMB'000)			
Total assets	22,275,204	23,992,481	-7.16
Total liabilities	14,402,106	16,096,311	-10.53
Accounts payable to brokerage clients	8,192,186	9,626,064	-14.90
Equity attributable to the Company's shareholders	7,542,736	7,569,143	-0.35
Share capital ('000 shares)	1,902,400	1,902,400	0.00
Net asset value per share attributable to the Company's shareholders (RMB/share)	3.96	3.98	-0.50
Liability-asset ratio ^(note 2) (%)	44.10	45.04	decreased by 0.94 percentage points

Notes:

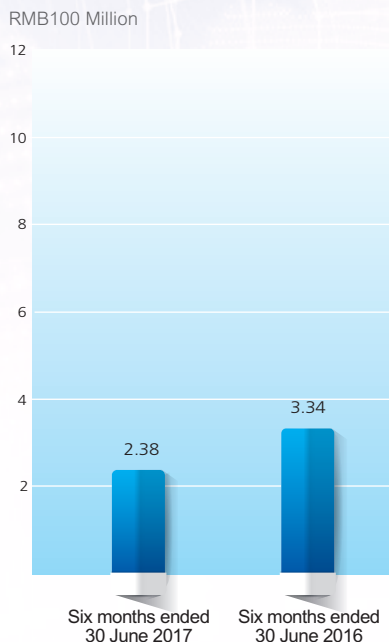
- Profit attributable to the Company's shareholders divided by the average balance of the equity attributable to the Company's shareholders as at the beginning and as at the end of the period
- Liability-asset ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Financial Highlights

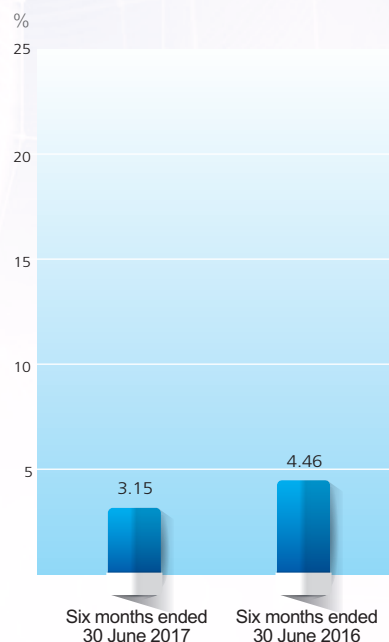
Total revenue and other income



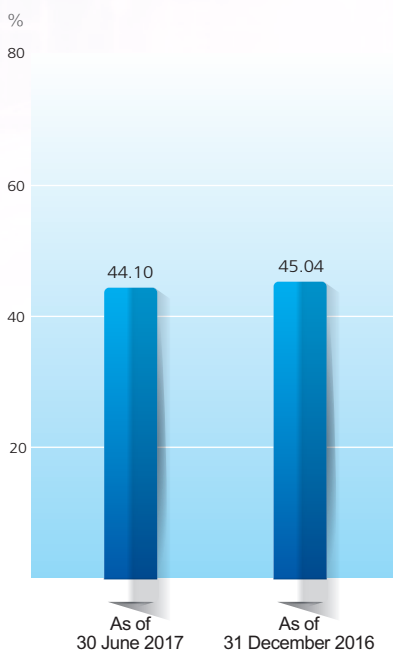
Interim profit-attributable to the Company's shareholders



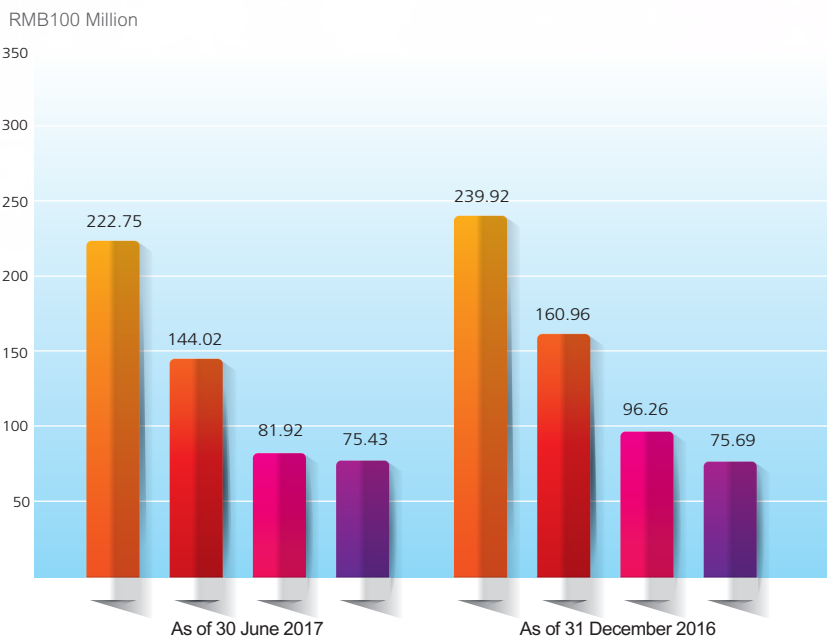
Return on equity



Liability-asset ratio



Scale indicators



- Total assets
- Total liabilities
- Accounts payable to brokerage clients
- Equity attributable to the Company's shareholders



Management Discussion and Analysis

I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

(1) Economic Environment

In the first half of 2017, driven by the early stage of continuous monetary easing and market self-trimming, the global economy continued its recovery since the second half of 2016. Several institutions including the World Bank, International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD) adjusted upward their expectations for global economic growth this year. The commodity price went up and employment situation improved in the world's major economies. The recovery of the United States continued, for instance, interest rate was raised twice as expected and unemployment rate in June was 4.4%¹, below 5% for 14 consecutive months, the lowest in a decade and close to full employment. The Purchase Management Index (PMI) for manufacturing sector in Euro zone continued to rise and reached 57.4 in June. Meanwhile, with seasonal unemployment rate declined from 9.6% at the beginning of the year to 9.1% at the end of June, consumer confidence index rose continuously. Foreign trade growth rate in Japan rebounded from its negative value last year. In June, its export and import amount recorded a year-on-year increase of 9.68% and 15.54%, respectively. The emerging economies also demonstrated a recovery momentum. Boosted by bulk commodity price rebound, the Brazil's economy was able to get over its most severe recession in history. The year-on-year growth rate of US Dollar denominated GDP returned to positive growth range and recorded new high since 2012. Russia also parted from its two-year recession after its oil price revitalized from downturn, despite the fact that its oil price dropped again in the first half of the year which added some uncertainties to its economy. Affected by the cancellation of big amount currency notes at the end of 2016, the economic growth of India decreased all the way from 8.65% at the beginning of 2016 to 5.57% in the first quarter of 2017, which was still a high growth rate when compared to global performance. The China economy maintained a medium-to-high growth rate, and the year-on-year growth rate in the first two quarters of 2017 was 6.9%, higher than in 2016. It continued to improve in industrial production, and industrial added value recorded a year-on-year cumulative increase of 6.9% from January to June. Foreign trade recovered with both the import and export amount maintained a double-digit cumulative growth year on year in the first half of the year.

¹ The relevant data in this section (the operation environment and market conditions during the Reporting Period) all come from Wind Information, and the observation interval was from the beginning of 2017 to 30 June 2017, and the time of extracting data was on 1 August 2017 (if the statisticians revise the data subsequently, then there may be a minor deviation with the extracted value).

Management Discussion and Analysis

(2) Market Conditions

As global economy recovered overall and US Dollar weakened, in the first half of 2017, the global stock index generally went up. Affected by financial deleveraging, the China stock market made some adjustment from April to May and demonstrated a volatility trend overall. As at 30 June, SSE Composite Index increased by 2.86% to 3,192.43 points, SZSE Component Index increased by 3.46% to 10,529.61 points and Growth Enterprise Index dropped by 7.34% to 1,818.07 points in the first half of the year. During the Reporting Period, the trading volume of Shanghai Stock Exchange and Shenzhen Stock Exchange were RMB23.41 trillion and RMB28.54 trillion, representing a year-on-year decrease of 2.06% and 28.36%, respectively.

In the first half of 2017, the balance of margin financing and securities lending on the Shanghai Stock Exchange and Shenzhen Stock Exchange fluctuated slightly. As at the end of June, the balance of margin financing and securities lending was RMB879.707 billion, decreased by 6.33% from the beginning of the year. During the Reporting Period, a total of 247 companies were initially listed and issued their A shares and the actual proceeds raised amounted to RMB125.396 billion. A total of 259 companies conducted private placements and the actual proceeds raised was RMB673.723 billion. The number of newly listed companies on the NEEQ was 1,311 in the first half of the year, representing a decrease of 48.79% as compared with the same period of last year. The bond market continued its adjustment and the yield of 10-year treasury bonds increased by 56bps to 3.57% in the first half year. Affected by this, the bond issuing size in the first half year declined by 1.90% as compared to the same period of last year and has a total value of RMB18.03 trillion. For the foreign market, Renminbi strengthened by 1,626bps to 6.77 against US Dollar in the first half of 2017. The China economy presented a stable and promising trend and its support to Renminbi exchange rate had strengthened.

II. GENERAL OPERATING SITUATION

During the Reporting Period, the Group recorded revenue and other income of RMB807 million and net profit attributable to the Company's shareholders of RMB238 million, representing a decrease of 30.92% and 28.83% respectively.

As at the end of the Reporting Period, the Group's total assets amounted to RMB22.275 billion, representing a decrease of 7.16% from RMB23.992 billion at the beginning of year. Total liabilities were RMB14.402 billion, representing a decrease of 10.53% from RMB16.096 billion at the beginning of year. Equity attributable to the Company's shareholders amounted to RMB7.543 billion, representing a decrease of 0.35% from RMB7.569 billion at the beginning of year. The liability-asset ratio of the Group was 44.10%, representing a decrease of 0.94 percentage points from 45.04% at the beginning of year.



III. ANALYSIS OF PRINCIPAL BUSINESS

The businesses of the Group can be categorized into five segments, including brokerage business, investment banking business, asset management and investment business, credit transactions business and proprietary trading business.

(1) Brokerage Business

During the Reporting Period, the revenue and other income from our brokerage business was RMB358 million, representing a year-on-year decrease of 34.10%.

1. Securities Brokerage

During the Reporting Period, by focusing on the strategic objective of “enlarging our customer base and increasing our asset size”, reaching an overall consensus and combining our efforts together to establish a management, maintenance and development platform for customers, with an aim to have a better performance in maintaining and developing customers through analyzing their characteristics and exploring their demands. Through the cooperation of every department, the resources in the Company could be fully integrated so as to serve our customers more efficiently and accurately. The Company always executes its client-oriented strategy, fully explores and equips with high product quality to cater for customer needs, keeps on optimising its wealth management platform and continuously promotes the transition of brokerage business to comprehensive wealth management business.

According to the statistics of the comprehensive information system under the supervision of CSRC, in the first half of 2017, the net income from agency sales of securities of the Company was RMB193 million, representing a year-on-year decrease of 34.13%, which ranked 50th in the industry. During the Reporting Period, the agency transaction volume from brokerage business of the Company (stocks and funds) was RMB644.717 billion and the market share was 0.57%, representing a decrease of 9% as compared with the same period of 2016.

The Company obtained the business qualification of Shanghai-Hong Kong Stock Connect in September 2014, and as at the end of the Reporting Period, the Company had accumulated 7,788 customers who had applied transaction permissions for Shanghai-Hong Kong Stock Connect. During the Reporting Period, the trading volume from Shanghai-Hong Kong Stock Connect business was HKD664 million.

The Company obtained the business qualification of Shenzhen-Hong Kong Stock Connect in November 2016, and as at the end of the Reporting Period, the Company had accumulated 2,666 customers who had applied transaction permissions for Shenzhen-Hong Kong Stock Connect. During the Reporting Period, the trading volume from Shenzhen-Hong Kong Stock Connect business was HKD238 million.

Management Discussion and Analysis

2. Other Services

During the Reporting Period, the sales volume of financial products of the Company was RMB15.243 billion, representing a year-on-year increase of 22.50%. Among others, the sales volume of our self-developed asset management products was RMB14.919 billion, representing a year-on-year increase of 29.04%. The sales volume of third-party fund products was RMB203 million, representing a year-on-year decrease of 70.00%, and the sales volume of third-party trust products was RMB121 million, representing a year-on-year decrease of 40.69%.

In order to satisfy the diversified wealth management needs of its customers, the Company continued to provide futures IB business. As at the end of the Reporting Period, the Company had 38 securities branches in total with futures IB business qualifications to conduct futures IB business, and had 1,577 existing customers of commodity futures of the futures IB business and 322 existing accounts of financial futures. During the Reporting Period, commodity futures had 126 newly-opened accounts and 9 newly-opened accounts for financial futures.

During the Reporting Period, SSE 50ETF options market transactions tended to be increasingly active. On the basis of effective compliance risk control, the Company provided appropriateness management and value-added services for its options customers, and as a result, the options brokerage business of the Company improved by a large margin. During the Reporting Period, the commission income generated from the options business was RMB1.0991 million, representing a year-on-year growth of 110.67%.

During the Reporting Period, the Company's accumulated number of contracted accounts opened for options brokerage business on the Shanghai Stock Exchange was 241, representing a year-on-year growth of 68.50%. As at the end of the Reporting Period, the accumulated number of existing customers was 988. During the Reporting Period, the Company's accumulated total number of contracts for options brokerage business on the Shanghai Stock Exchange was 518,100. According to the statistics of SSE Newsletter of the Stock Option Industry, the cumulative share turnover volume was 0.66%, ranking 29th in the industry, rising 15 as compared to the same period of last year.



(2) Investment Banking Business

The investment banking business of the Group is conducted by its controlling subsidiary, Hua Ying Securities. In addition, the Company acts the role as a sponsor to offer listing and referral, market making and financial consultancy services to help enterprises listing on NEEQ.

During the Reporting Period, Hua Ying Securities carried out various businesses healthily by laws and regulations and continued to build our “the best capital strategic partners” branding. Hua Ying Securities adheres to the customer-oriented approach to meet customers’ increasingly diversified and comprehensive investment and financing needs. Hua Ying Securities implements comprehensive financial strategy of “big investment banks” with the aim of exploring its business in Wuxi, pushing business interaction and integration, achieving the collaboration between the Group and Guolian Group and providing customized comprehensive financial services to customers through Guolian Group’s licence advantages overall. Hua Ying Securities will accelerate the transformation from channel investment bank to comprehensive financing service supplier and establish new development pattern of business collaboration and win-win cooperation, taking the road with characteristic and boutique investment banks.

During the Reporting Period, the revenue and other income from our investment banking business was RMB111 million and representing a decrease of 52.50% year-on-year.

1. Equity Financing

During the Reporting Period, Hua Ying Securities completed the merger of 1 supporting margin financing underwriting project, underwriting an amount of RMB214 million. As at the end of the Reporting Period, Hua Ying Securities had 1 IPO project approved pending issuance and 2 IPO projects under review by the regulatory authorities.

2. Debt Financing

During the Reporting Period, Hua Ying Securities completed 3 bonds lead-underwriting projects and 1 corporate bonds distribution projects, underwriting an aggregate amount of RMB2.535 billion. At the end of the Reporting Period, Hua Ying Securities gained the second tranche issuing approvals of 3 projects and approvals of 4 projects from regulatory authorities but pending issuance and 6 projects were under review by the regulatory authorities.

Management Discussion and Analysis

3. Financial Advisory

During the Reporting Period, merger and acquisition and reorganization projects for listed companies and other various financial advisory projects of Hua Ying Securities generated a net financial advisory income of RMB10.6057 million.

4. NEEQ

During the Reporting Period, the Company completed 17 listing and referral projects. The number of new listing and referrals in 2017 ranked 25th (sources: choice), up by 2 places as compared to the corresponding period of 2016. As at the end of the Reporting Period, the Company completed 119 NEEQ listing and referral projects cumulatively. Another 1 NEEQ listing and referral project of the Company was still under review by the regulatory authorities.

During the Reporting Period, the market-making business of the Company added 18 NEEQ investing objects and 11 online market-making trading stocks. As at the end of the Reporting Period, the Company participated in online arrangements for 62 market-making stocks. During the Reporting Period, trading investment revenue of the Company earned was approximately RMB2.18 million.

During the Reporting Period, the Company completed 15 NEEQ targeted issuance projects, financing an aggregate amount of RMB471 million. As at the end of the Reporting Period, 8 targeted issuance projects of the Company were under implementation, 3 of which were still under review by the regulatory authorities.

In addition, 4 NEEQ merger and acquisition and reorganization projects of the Company were under implementation in the first half of the year.



Management Discussion and Analysis

(3) Asset Management and Investment Business

During the Reporting Period, revenue and other income from our asset management and investment business was RMB23.32 million, representing a year-on-year decrease of 54.43%.

1. Asset Management

In the asset management business, the Company adhered to the direction of “serving real economic development” and the objective of “client-oriented”, and actively created more values for customers and shareholders. During the Reporting Period, the asset management business of the Company continued the strategic layout setting of capital market, bonds investment and structured financing business. Effective breakthrough was made in exploring key areas to strive for positive results for operation transformation. The Company strengthened its products research and development innovation constantly, expanded product and service range, strictly controlled credit risks, proactively built branding business lines and star products and developed professional team to improve its profitability continuously and achieved its sustained and rapid development.

As at the end of the Reporting Period, the cumulative entrusted customers of asset management business was RMB24.924 billion, representing a year-on-year growth of 11.02%, among others, the collective asset management scheme was 35, representing RMB8.094 billion in size, the targeted asset management scheme was 60, representing RMB15.880 billion in size and the specialized asset management scheme was 1, representing RMB950 million in size.

Management Discussion and Analysis

2. Direct Investment

In accordance with the relevant requirements under the “Notice on the Issuance of Management Rules for the Private Investment Funds Subsidiaries under Securities Companies” and “Management Rules for the Alternative Investment Subsidiaries under Securities Companies” formulated by the Securities Association of China, and after the consideration and approval at the annual general meeting of the Company convened on 29 June 2017, Guolian Capital, formerly a direct investment subsidiary planned to change to become a privately investment fund subsidiary to conduct private investment fund business.

Apart from making positive rectification according to regulatory requirements, Guolian Capital continued to promote the equity investment business on NEEQ and actively explored business channels to provide project reserves for the future private fund subsidiary. During the Reporting Period, Guolian Capital and Guolian Industrial Investment contributed RMB140 million and RMB10 million respectively to establish a partnership, Wuxi Guolian Tongyuan Innovation Growth Investment Center (無錫國聯通元創新成長投資中心) (hereinafter referred as “Tongyuan Innovation Fund”). As at the end of the Reporting Period, Tongyuan Innovation Fund completed its business registration and its capital contribution are yet to be paid-up.

(4) Credit Transactions Business

During the Reporting Period, the revenue and other income from our credit transactions business was RMB204 million, representing a year-on-year decrease of 12.26%.

1. Margin Financing and Securities Lending

During the Reporting Period, the securities market remained stable overall. Due to the market differentiation trend of some individual stocks, the Company continued to adopt sound risk management measures to prevent the occurrence of greater risk, thereby achieved the stable operation of the margin financing and securities lending business.

As at the end of the Reporting Period, the total number of credit accounts of the Company was 17,881, representing a year-on-year increase of 14.68%. The total credit amount of margin financing and securities lending of customers was RMB42.716 billion, representing a year-on-year increase of 11.08%. The total balance of margin financing and securities lending was RMB4.158 billion (among which, the balance of margin financing was RMB4.126 billion and the balance of securities lending was RMB32 million), representing a year-on-year decrease of 0.36 %.



Management Discussion and Analysis

2. Stock Pledged Repurchase Transaction

During the Reporting Period, the Company vigorously promoted the development of bulk stock pledged repurchase business, and used the stock pledged repurchase business as the key to improve the capacity of serving listed companies comprehensively. As at the end of June in 2017, the accumulated number of clients opened for stock pledged repurchase business trading permissions (excluding “Xiaorongbao (小融寶)”) was 166, representing an increase of 38.33% as compared with that at the end of 2016. The initial transaction amount to be repurchased at the end of the period (excluding “Xiaorongbao (小融寶)”) was RMB10.273 billion (of which, RMB2.876 billion was from the Company’s own funds and RMB7.397 billion were from asset management products), representing an increase of 38.60% as compared to the RMB7.412 billion of the initial transaction amount to be repurchased at the end of 2016.

During the Reporting Period, the business income from “Xiaorongbao” (小融寶) business achieved was RMB2.57 million, representing a year-on-year increase of 142.45%. As at the end of the reporting period, the accumulated number of clients opened of business permissions for “Xiaorongbao (小融寶)” business of the Company was 8,571, representing a year-on-year increase of 101.53%. The balance of the size of Xiaorongbao (小融寶) exceeded RMB90.17 million, representing a year-on-year increase of 116.70%.

(5) Proprietary Trading Business

As at the end of Reporting Period, revenue and other income generated from the proprietary trading business of the Group amounted to RMB83.02 million, representing a year-on-year increase of 9.85%.

During the Reporting Period, for equity proprietary trading business, the Company adhered to its principle of value investment, mainly focused on exploring investment portfolios with low valuation and certainty of performance growth, closely kept up with the pace in the market, and enhanced value analysis. In the first half of 2017, based on the position at the end of last year, the equity investment made further adjustment on position portfolios. Since May, the deployment size gradually increased for undervalued blue-chip stocks and Hong Kong Stock Connect portfolios and sound results were achieved.

For fixed-income proprietary trading business, the Company adopted held-to-maturity measure as its main investment strategy and implemented a flexible operation strategy of mid-to-long term, moderately leveraged and risk controllable approach, mainly focusing on bonds with mid-to-high credit ratings. In the first half of 2017, there were fewer losses on investment which were attributable to the increase in bond yields and low position size maintained in fixed-income proprietary trading business, as well as the moderately increasing allocation for certain short– medium-long term bonds at the end of the second quarter.

Management Discussion and Analysis

IV. PROSPECTS AND FUTURE PLANS

In the first half of 2017, the trading volume in securities market shrunk as compared to the corresponding period of last year. The SSE composite index and SZSE Composite Index increased slightly. However, the Growth Enterprise Market index fell significantly. In the second half of the year, in light of the market risk appetite maintained at low position and stringent regulations continued, the brokerage business competition intensified, increasingly diversified demand from customers will be expected, and the securities industry will face tremendous pressure in the short run. But in the long run, favorable factors including continuous promotion for construction of multi-level capital market, growth of residents' wealth, vigorous demand for corporate listing and financing as well as A shares being included into MSCI index will bring good development prospect to the securities industry.

In the future, the Group will adhere to the concept of "improving comprehensive capacity in full and enlarging business basics", and establish the thinking of "comprehensive business development of big investment banks". By leveraged on the advanced information technology system, convenient mobile internet platform, sophisticated risk control system and strong investment research capacity, we fully mobilize the overall resources of each business line to provide an integrated and comprehensive financial solution for customers. Meanwhile, we continue to serve customers' management, maintenance and development well. Through the establishment of a long-run mutual trust cooperation partnership with customers, it can drive a continuous growth of customers, customers' assets and business bases so as to realize the simultaneous growth among the Group and customers and achieved our sustainable development.



V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the equity attributable to the Company's shareholders amounted to RMB7.543 billion, representing a decrease of 0.35% from RMB7.569 billion at the end of 2016. As compared with the end of 2016, the Group's net assets dropped by about 0.29%.

During the Reporting Period, the securities market was miserable overall, trade volumes on Shanghai Stock Exchange and Shenzhen Stock Exchange fell sharply year-on-year, business scale shrunk and total assets of the Group slightly declined, while the quality of assets and liquidity remained sound. Due to strong liquidity of the business of the Group, the balance sheet mainly includes current assets and current liabilities. At the end of the Reporting Period, the Group's total self-owned assets (total assets less accounts payables to brokerage client) was RMB14.083 billion, representing a decrease of RMB0.283 billion, or 1.97%, as compared with the end of 2016. Of which, cash and bank balance accounted for 15.51%; investment assets (including investment in associated companies and financial assets, especially investment in financial assets with strong liquidity) accounted for 25.81%; the funds lent in margin financing and securities lending business slightly decreased, the receivables in the margin account accounted for 29.23%; and property, plant and equipment of the non-current assets and intangible assets accounted for 0.70% and 0.18%, respectively.

The overall liability-asset ratio of the Company remained stable. As at the end of the Reporting Period, the self-owned liability-asset ratio of the Group (both total assets and total liabilities less accounts payables to brokerage clients) was 44.10%, representing a decrease of 0.94 percentage points as compared with 45.04% at the end of 2016. The Group's degree of operating leverage (total assets less accounts payables to brokerage clients divided by equities attributable to the Company's shareholders) was 1.87 times, which was flat basically as compared to the 1.90 times at the end of 2016. The Company will intend to energetically develop innovative businesses and further improve the leverage ratio. The Group has developed stringent risk management measures for net capital and other risk control indicators. A stress test will be conducted on the general liquidity and other financial indicators before making any material capital investment.

Management Discussion and Analysis

The Group has met its operating capital requirements, maintained its liquidity and supplemented its net capital through debt financing. Debt financing of the Company included the issuance of short-term financing bonds, subordinated bonds, income certificates and refinancing, interbank borrowings as well as transfer of equity rights in margin financing and securities lending so as to meet capital demands for business development through various channels.

VI. ESTABLISHMENT OF BRANCHES

As at the end of the Reporting Period, the Company had 12 branch offices and 71 securities branches. During the Reporting Period, pursuant to “Reply on the Approval of the Establishment of Four Branches of Guolian Securities Co., Ltd. in Jiangsu” (SZJXKZ [2017] No.8) (《關於核准國聯證券股份有限公司在江蘇等地設立4家分支機構的批復》) issued by the CSRC’s local bureau in Jiangsu Province on 2 March 2017, the Company has completed the establishment of one branch office and two securities branches, another branch office approved to be established in the north of Jiangsu is in the process of preparation, details of which are set out below:

No.	Province/city	Name of branch	Address
1	Changzhou, Jiangsu Province	Changzhou Branch Office, Guolian Securities Co., Ltd.	Room 503-506, Block No.8, Yulong Garden, North Street, Zhonglou District, Changzhou
2	Shenzhen, Guangdong Province	Shenzhen Yitian Road Securities Branch Office, Guolian Securities Co., Ltd.	4504, 4403-A and 4501-A, New World Business Center, No. 6009, Yitian Road, Futian District, Shenzhen
3	Beijing	Beijing Majiapu East Road Securities Branch Office, Guolian Securities Co., Ltd.	Room No. 21, Ground floor, No.6 Building, Courtyard No.168, Majiapu East Road, Fengtai District, Beijing
4	Yancheng, Jiangsu Province	North Jiangsu Branch Office, Guolian Securities Co., Ltd.	Room 2407, 2408, No. 1 Building, Financial City, Xindu Street, Chengnan New District, Yancheng, Jiangsu Province



VII. MAJOR INVESTMENT AND FINANCING EVENTS

(1) Major Investment Events

During the Reporting Period, the Company had no major investment events.

(2) Major Financing Events

1. Equity Financing

On 23 December 2016, the Company received from the CSRC an acceptance letter in respect of the Company's application for the A Share Offering. During the Reporting Period, the Company received the feedback notice from CSRC. As at the end of the Reporting Period, the Company has submitted the reply to the feedback notice to the CSRC.

2. Debt Financing

On 20 April 2017, the Company borrowed RMB300 million from the margin refinancing facilities of China Securities Finance Corporation Limited for a term of 91 days at an interest rate of 4.7%, in which it is used for its margin financing and securities lending business.

VIII. ACQUISITION OR DISPOSAL OF MATERIAL ASSETS, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES

During the Reporting Period, there was no material acquisition, disposal or replacement of the Company's material assets and business merger. During the Reporting Period, the Company did not record any major external guarantee, mortgage, pledge or other major off-balance-sheet items that may affect the Company's financial position and operating results.

Management Discussion and Analysis

IX. EMPLOYEES, REMUNERATION POLICIES AND TRAINING PROGRAMS

As at the end of the Reporting Period, the Group had a total of 1,517 employees, including 1,339 from the Company and 178 from its subsidiaries.

Under the Company's strategic development plan, the Company keeps on improving its remuneration and incentive system based on position value as its core, staff ability and work performance as the guide and formulates an overall remuneration policy and system in strict compliance with the principles of position-based salary, capabilities and performance-oriented salary payment. The Company continues to improve the dual channel position management system that can achieve vertical promotion and horizontal development for staff and guide them in respect of the path and direction of their career development. Based on its own business development and industrial remuneration changes, the Company determines the remuneration based on market rates, adjusts and improves the Company's remuneration execution standards in a timely manner. In this process, emphasis will be placed to make the remuneration resource be inclined to highly-competitive business segments and key positions while maintaining an internal impartiality.

The Company keeps on improving its target-oriented and performance-based performance assessment mechanism. By setting up key performance indicators and supplemented by an all-round assessment and evaluation of compliance risk management and based on true and accurate data, the Company conducts a comprehensive assessment on the annual work performance and important tasks fulfillment of the Company's departments and staff, and completes the annual performance-oriented award distribution in a scientific and fair manner. By formulating project incentive administrative measures, the Company clarifies how the awards in respect of the business projects of relevant organizations are distributed and improves the impartial and fair project awards distribution system.

The staff remuneration of the Company comprises position-based wage, performance-based award as well as social security and welfare. The Company established a position-based wage system based on ranking. The rank and grade level of each position and the corresponding wage standard are determined after taking a comprehensive consideration of the factors such as responsibility, importance and market standard of the employees' position. The management mode of "position-based ranking and salary, ranking changes for position changes, salary changes for ranking changes" is followed. The performance-based award is determined after taking a comprehensive consideration of the factors such as the Company's overall operating conditions and economic benefits and is linked to the work performance and tasks fulfillment of each employee and department. The Company provided employees with statutory social insurance and provident fund in strict compliance with the relevant provisions of state laws and regulations, supplemented by the enterprise group annuity insurance and mutual assistance for serious illness to provide employees with effective guarantee.



Management Discussion and Analysis

To meet the requirements of industrial competition, promote staff's comprehensive quality constantly, the Company attaches great importance to staff training and facilitates related works continuously. Based on the business development requirements and departments training demands, the Company has developed and carried out annual training plan in an orderly manner. The Company intensified its training system and platform construction, revised the administrative measures in respect of online learning platform and training merit points and organized related trainings to give into full play regarding the Company's role in online learning platform. The Company organized and implemented various training activities, including new managerial trainings, middle-level cadres management quality promotion trainings, face-to-face training session for new staff and special training for business department. The Company also organized its staff to actively take part in comprehensive financial training. At the same time, the Company encouraged employees to improve themselves through improving degree-based academic education, taking various professional qualification examinations, etc. The Company conducted human resource inventory review and staff evaluation for staff categories in audit, finance, law, risk control and human resources to lay a good foundation for the Company to deepen the human resources development and utilization.

X. RISK CONTROL

(I) Major risks affecting the Company's operations

The Company's business operation activity is exposed to risks in which they mainly include: market risk, credit risk, concentration risk, operational risk, liquidity risk, reputation risk and compliance risk. Specifically speaking, they are represented in the following aspects:

1. Market Risk

Market risk refers to the risk of unexpected potential value losses resulting from the changes in stock prices, interest rates and exchange rates in stock markets. The market risk of the Company mainly comes from the securities investment and assets management businesses, which is specifically reflected in the risk of stock prices, interest rates risk and exchange rates risk.

Management Discussion and Analysis

To control market risk, the Company mainly adopted the following measures: (1) sensitivity analysis, the Company ensures that its overall portfolio risk falls within the expected range by setting limit control to different sensitivity parameter and adjusting the market risk of financial products; (2) concentration control, the Company executes the capital limit at all levels (including business and products), and control its risk bearing capacity by limiting market risk exposure, the Company adjusts the capital limit annually to reflect market conditions, operation position and change in risk bearing level of the Company; (3) value-at-risk method, the Company evaluates risk exposure and debts of the Company, relative or absolute risk of equity investment by using daily value at risk, and timely monitor the relevant risk limits of the Company; (4) stress test and scenario analysis, the Company monitors risk exposure by adopting stress test and scenario analysis. The Company issues periodically its market risk report, and assigns the designated risk control personnel at various business departments to monitor and analyze the risks relevant to its business operations.

2. Credit Risk

Credit risk refers to the risk that may cause economic losses to the Company due to the failure of lending type customers, transaction counterparty or issuers of the securities held by the Company in performing the obligations as agreed in the deeds for various reasons. It mainly includes the credit risks (default risks) and collateral risk of transaction counterparty.

Transaction counterparty credit risk refers to the risk that may cause economic losses to the Company due to the failure of transaction counterparty in performing the obligations as agreed in the deeds. The Company initially built the implied rating model to rate its bonds internally based on market data, and thus achieve the daily monitoring of bonds.

Collateral risk refers to whether the payment capability of the collateral relevant to the pledged security is able to cover the exposure at default that is required to be assumed for such project. The credit transactions businesses like margin financing and securities lending and stock pledged carried out by the Company may expose to such risk. Accordingly, the Company will make periodic adjustment on the value of the collaterals according to the market situation and the risk of individual stock.



Management Discussion and Analysis

3. Concentration Risk

Concentration risk refers to the risk resulting from the excessive risks exposure from the same source due to mere single business. The Company sets threshold values on various levels for effective limit management, and enhances and improves the identification, measurement, monitoring and reporting system of concentration risk, and thus perfects the stress test system of concentration risk. Based on the stress test results, the Company sets the risk warning line to give a reminder or warning on concentration risk, and thus forms a concentration risk prevention and control mechanism.

4. Operational Risk

Operational risk refers to the risk of loss resulting from the improper or invalid internal processes, personnel and system or external events during the operation process of the Company.

As for operational risk, the Company has established a sound internal control mechanism, regularly carries out effectiveness assessment of internal control throughout the Company; arranges special staff of operational risk management to standardize and optimize related business processes; reorganizes the statistics of the operational risk event occurrence frequency and corresponding losses for the purpose of establishing loss database, and evaluates the expected losses caused by operational risk according to risk rating matrix. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, annual assessment; and prepares emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the outbreak of large-scale operational risk caused by information system failure.

Management Discussion and Analysis

5. Liquidity Risk

Liquidity risk refers to the risk that the Company is unable to obtain sufficient fund in time at reasonable costs for paying indebtedness when it falls due, performance of other payment obligations and meet the funding needs of normal business operation. The rapid development of the businesses, such as securities investment, assets management, margin financing and securities lending and credit transaction, exerts higher requirements on liquidity.

To cope with and manage the liquidity risk effectively, the Company adopts the following measures: (1) manage funding source, financing arrangement and funds allocation in a highly efficient manner; (2) based on the business development, financial position and financing capacity of the Company, and also taking into account of the liquidity risk and other related risks involved in the operation process, the Company determines the liquidity risk preference, normal liquidity level and liquidity risk limit of different businesses; (3) conduct a semi-annual liquidity stress test, and take appropriate measures to ensure that the liquidity risk exposure for each business line falls within the authorized threshold value; (4) set up adequate liquidity reserve to ensure additional fund source will be provided in emergency circumstances.

6. Reputation Risk

Reputation risk refers to the risks of negative comments to the Company from relevant stakeholders as a result of our operations, management and other activities or external events. The driving factors of reputation risk including but not limited to: any reputation risk which may be aroused during business development, internal organization changes, policy changes, financial indicator changes, reputation risk factors arising from system adjustment, news media reporting, network public opinion trends, customers' complaints, internal and external audit as well as reputation risk factors revealed by regulatory authorization through compliant check and those involved in judicial cases or mass incidents.

The Company has assessed the impact of reputation risk events occurred on Company's reputation in accordance with its hazardous level and development tendency. Currently, the Company assigned an office that is responsible for monitoring and managing reputation risks, and develops corresponding management measures.



Management Discussion and Analysis

7. Compliance Risk

Compliance risk refers to the risk that the Company may be exposed to legal sanction or regulatory measures, major property loss or reputation loss as a result of its non-compliance with the laws and regulations, regulatory requirements, rules, relevant codes stipulated by self-regulatory organizations as well as code of conduct applicable for our own business activities.

The Company has established an effective and comprehensive compliance risk management system and compliance management organization system. The Company conducts effective and overall control of compliance risk it faces during the operation by way of compliance testing, compliance inspection, compliance audit, compliance monitoring and compliance training.

(II) Strategies and Measures Adopted or to be Adopted by the Company

1. Improve risk management system

The Company fully combs smoothly the processes of relevant risk management system to further clarify responsibilities for every level of the Company's risk management. The Company focuses on improving the ways of reporting our risk information and contingency plans to strengthen the Company's overall risk management.

2. Optimisation of risk management structure

The management models of the Company consist of stratified management, centralized and decentralized model. The Company has also set up a comprehensive risk management structure, which includes four levels: the board of directors and risk control committee, senior management and risk control committee, risk management department and other risk management functional department, internal risk management organization, to further refine and make it clear so as to provide effective risk control for the Company.

Management Discussion and Analysis

3. Promoting the construction of risk management system

The Company conducts the combing and integration on systems such as risk management, business monitoring, and risk control of the business system. The Company promotes the construction of credit risk management system based on its original market risk management system, and also its liquidity risk management system.

4. Further improvement of ability and standard in quantitative analysis on risk management

The Company strengthens its research and investment in quantitative analysis on risk management, pays significant attention to the collection and reorganization of quantitative indicators information and data. It selects appropriate methods and models to measure market risk, credit risk and operational risk. In addition, the Company will regularly test and assess the effectiveness of the models to make timely adjustment and improvement according to the testing results.

5. Strengthening compliance risk management

The Company will continue to improve the compliance management functions to further intensify the anti-money laundering and the Chinese wall system. The Company strengthens the checking on different businesses, and ensures effective implementation of its systems and procedures.



I. DIVIDENDS

Pursuant to the resolution passed at the annual general meeting held on 29 June 2017, the Company declared a final cash dividend of RMB1.40 (including tax) for every 10 shares, or RMB266.336 million (including tax) in aggregate, for the year ended 31 December 2016.

Such dividends are paid in RMB to domestic shareholders and in Hong Kong dollars to the holders of H Shares. The actual amount of H Share dividends paid in Hong Kong dollars will be converted based on the average benchmark exchange rate of RMB to Hong Kong dollars (i.e. HK\$1=RMB0.874414) as announced by the PBOC five business days before the date of the annual general meeting of the Company. The Company will distribute 2016 final cash dividends on 29 August 2017.

The Company does not intend to distribute any interim dividend to the Shareholders.

II. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

III. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

As at the end of the Reporting Period, none of the Directors, Supervisors or their respective spouse or children under the age of 18 were granted any rights or had exercised such rights to acquire benefits by means of acquisition of shares or debentures of the Company. The Company or any of its subsidiaries was not a party to any arrangement to enable the Directors, Supervisors or their respective spouse or children under the age of 18 to acquire such rights from any other body corporate.

Other Information

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

As at the end of the Reporting Period, to the best of the knowledge of the Company and the Directors, the following persons (other than a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register under section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholders	Class of shares	Nature of interest	Number of shares (Note 1)	Percentage of total number of issued shares of the Company (Note 6)	Percentage of total number of issued shares in the relevant class of shares of the Company (Note 6)
Guolian Group (Note 2)	Domestic shares	Beneficial owner and interest in controlled corporation	1,376,336,123 (L)	72.347%	94.29%
Guolian Trust	Domestic shares	Beneficial owner	390,137,552 (L)	20.508%	26.73%
Guolian Industrial (Note 3)	Domestic shares	Interest in controlled corporation	266,899,445 (L)	14.030%	18.28%
Wuxi Electric	Domestic shares	Beneficial owner	266,899,445 (L)	14.030%	18.28%
Guolian Financial Investment (Note 4)	Domestic shares	Interest in controlled corporation	73,500,000 (L)	3.864%	5.04%
Minsheng Investment (民生投資)	Domestic shares	Beneficial owner	73,500,000 (L)	3.864%	5.04%
Central Huijin Investment Ltd. (Note 5)	H shares	Interest in controlled corporation	27,513,000 (L)	1.446%	6.22%
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)	H shares	Beneficial owner	27,513,000 (L)	1.446%	6.22%

Notes:

- (1) (L) denotes long positions.
- (2) Guolian Group is the beneficial owner of 543,901,329 domestic shares of the Company, and is deemed to be interested in the following shares in controlled corporations: (i) 390,137,552 domestic shares of the Company held by Guolian Trust; (ii) 266,899,445 domestic shares of the Company held by Wuxi Electric; (iii) 73,500,000 domestic shares of the Company held by Minsheng Investment; (iv) 72,784,141 domestic shares of the Company held by Yimian Textile; and (v) 29,113,656 domestic shares of the Company held by Huaguang Boiler.
- (3) Guolian Industrial is deemed to be interested in the 266,899,445 domestic shares of the Company held by Wuxi Electric, its wholly-owned subsidiary.
- (4) Guolian Financial Investment is deemed to be interested in the 73,500,000 domestic shares of the Company held by Minsheng Investment, its wholly-owned subsidiary.

- (5) Central Huijin Investment Ltd. is deemed to be interested in the 27,513,000 H shares of the Company held by China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司), its non-wholly owned subsidiary.
- (6) As at the end of the Reporting Period, the Company issued 1,459,760,000 domestic shares and 442,640,000 H shares, a total of 1,902,400,000 shares.

Save as disclosed in the paragraphs headed “Directors’, Supervisors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” and “Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares and Underlying Shares” above, as at the end of the Reporting Period, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) who held interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

V. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDER IN ASSOCIATED CORPORATION OF THE COMPANY

As at the end of the Reporting Period, to the best of the knowledge of the Company and the Directors, the following person was interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the following associated corporation of our Company:

Long Position

Hua Ying Securities

Name of shareholder	Capacity/Nature of interest	Amount of registered capital interests owned	Approximate percentage of shareholdings
The Royal Bank of Scotland plc	Beneficial owner	RMB266.4 million	33.3%

VI. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Other Information

VII. CORPORATE GOVERNANCE

The Company has operated in strict compliance with the laws, regulations and normative documents at the jurisdictions of establishment and listing, and kept committed to maintaining and improving its sound social image. Pursuant to the Company Law, the Securities Law and other applicable laws, regulations and regulatory provisions, the Company has formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee, and the management have their respective authorities and duties, so as to ensure the regulated operation of the Company. The convening and voting procedures for general meetings and meetings of the Board and the Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and is disclosed in time and completely; the management of investor relations is efficient and practical; and the corporate governance is based on scientific, rigorous and normative procedures. During the Reporting Period, the Company has strictly complied with and observed most of the requirements of the CG Code for the recommended best practices specified in the CG Code.

VIII. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct regarding Directors and Supervisors' securities transactions. Having made specific enquiries with all Directors and Supervisors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Reporting Period.

IX. OPERATING OF THE BOARD AND THE BOARD COMMITTEES

(1) Composition of the Board

As at the end of the Reporting Period, the Board of the Company comprised nine Directors, including one executive Director, namely Mr. Peng Yanbao (President), five non-executive Directors, namely Mr. Yao Zhiyong (Chairman), Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang, and three independent non-executive Directors, namely Ms. Chen Qingyuan, Mr. Lee Pak Hay and Mr. Lu Yuanzhu.

During the Reporting Period, as considered and approved by the extraordinary general meeting of the Company convened on 10 March 2017, Mr. Lu Yuanzhu was appointed as the independent non-executive Director of the Company with his term of office commenced on 10 March 2017 upon obtaining the qualification approval for the appointment as a Director of the securities company from the CSRC on 2 March 2017 and will end on the expiry of the third session of Board.



During the Reporting Period, all Directors performed their statutory duties diligently and honestly and protected the interests of the shareholders of the Company as a whole, especially the interests of minority shareholders, in accordance with the relevant provisions of laws, regulations and articles of association of the Company. During the Reporting Period, the Board convened a total of 2 general meetings for its shareholders to consider and approve 18 proposals, and convened 5 Board meetings and considered and approved 40 proposals.

(2) Board Committees

There are four committees established under the Board, namely, the Strategy Committee, the Remuneration and Nomination Committee, the Audit Committee and the Risk Control Committee. The responsibilities of each committee are clearly divided and defined. The committees assist the Board in conducting work within the terms of reference as specified in the procedural rules of meetings, and are accountable to and report to the Board. The majority of the members of the Remuneration and Nomination Committee and the Audit Committee are independent non-executive Directors, and the chairman of each of these two committees is an independent non-executive Director. As at the end of the Reporting Period, the list of the members of the Board committees is as follows:

Board Committees	Chairman/Chairlady	Members
Strategy Committee	Yao Zhiyong	Peng Yanbao, Hua Weirong, Zhou Weiping, Lee Pak Hay
Remuneration and Nomination Committee	Lee Pak Hay	Hua Weirong, Chen Qingyuan
Audit Committee	Chen Qingyuan	Zhou Weiping, Lu Yuanzhu
Risk Control Committee	Yao Zhiyong	Hua Weirong, Zhou Weiping, Liu Hailin, Chen Qingyuan

During the Reporting Period, Mr. Wang Wei, independent non-executive Director, resigned as the independent non-executive Director and the member of the Audit Committee of the Company due to his personal business commitment, with effect from 10 March 2017.

During the Reporting Period, the Strategy Committee convened a total of 1 meeting, which considered and approved 3 proposals. The Audit Committee convened a total of 2 meetings, which considered and approved 10 proposals. The Remuneration and Nomination Committee convened a total of 2 meetings, which considered and approved 3 proposals. The Risk Control Committee convened a total of 1 meeting, which considered and approved 5 proposals.

Other Information

Of which, the Audit Committee and the management of the Company had reviewed the accounting policies adopted by the Company, and discussed issues including internal control, risk management and financial report, and had fully reviewed the consolidated interim financial information (including unaudited consolidated financial statements set out in this Interim Report during the Reporting Record). The Audit Committee considered that the preparation of such consolidated financial report was compiled in conformity with the applicable accounting standards and provisions and has made appropriate disclosures. The auditor of the Company, Deloitte Touche Tohmatsu, has reviewed the interim financial information in accordance with International Standard on Review Engagements No. 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

X. OPERATION OF THE SUPERVISORY COMMITTEE

As at the end of Reporting Period, the Supervisory Committee of the Company comprised 5 supervisors, among which there are three shareholder representative supervisors (namely, Mr. Jiang Zhiqiang (Chairman of Supervisory Committee), Mr. Zhou Weixing and Mr. Ren Jun) and two Employee Representative Supervisors (namely, Ms. Shen Ying and Ms. Yu Lei).

During the Reporting Period, as considered and approved by the extraordinary general meeting of the Company convened on 10 March 2017, Mr. Jiang Zhiqiang and Mr. Ren Jun were appointed as the shareholder representative supervisors of the Company. Mr. Jiang Zhiqiang has the qualification of senior securities company manager, and in accordance with the requirements, there is no need to apply for the qualification of securities company supervisor. Mr. Ren Jun obtained the qualification approval for the appointment as a Supervisor of the securities company from the CSRC on 2 March 2017. The terms of both supervisors were commenced on 10 March 2017 and will end on the expiry of the third session of Board.

During the Reporting Period, the Supervisory Committee has convened 2 meetings and considered 10 proposals. The Supervisors earnestly performed their duties and supervised the standard operation of the Company and safeguarded the legal rights and interests of the Company, shareholders and investors in accordance with the relevant provisions of the Company Law and Securities Law and other relevant laws and regulations and the articles of association of the Company.

XI. NEW BUSINESS QUALIFICATIONS OBTAINED DURING THE REPORTING PERIOD

During the Reporting Period, the Company did not obtain any new business qualifications.

XII. EVALUATION RESULTS OF THE COMPANY BY SECURITIES REGULATORY AUTHORITY

In the evaluation of securities companies of 2017 carried out by the CSRC, the Company was assigned an BBB rating in B class.



XIII. MAJOR LITIGATIONS

During the Reporting Period, the Company experienced no major litigations.

XIV. INFORMATION RELATING TO THE COMPANY'S CONTROLLING SHAREHOLDERS

During the Reporting Period, the independent non-executive Directors had reviewed the decisions made by the investment decision committee of Guolian Capital in relation to the direct investment business opportunity noticed by or offered to the Controlling Shareholders or their controlled entities ("New Direct Investment Business Opportunities") pursuant to the written notice given by them. The independent non-executive Directors considered the factors that gave judgments by the investment decision committee of Guolian Capital, including the business development of the Company and the best interest of the Shareholders and the written declaration of the Controlling Shareholders. Upon the completion of such review, the independent non-executive Directors (i) did not have different views from that of the investment decision committee of Guolian Capital; and (ii) were of the view that the Controlling Shareholders has complied with the Non-competition Agreement.

During the Reporting Period, the independent non-executive Directors also considered the option to acquire any or all of the equity interests in Guolian Futures held by Guolian Group or indirectly by its subsidiaries ("Option for Acquisition") and decided that given the business development of the Company and the best interest of the Shareholders, it was not yet an appropriate time for the Company to exercise the Option for Acquisition.

Each of our Controlling Shareholders has made a written declaration to the Company and the independent non-executive Directors, the investment decision committee of Guolian Capital and the Company's auditor that, during the Reporting Period, it had complied with the Non-competition Agreement (including but not limited to the relevant requirements in relation to the options of New Direct Investment Business Opportunities and the pre-emptive rights of the Company in connection with the selling notice).

During the Reporting Period, Guolian Capital received 7 letters of intent from the controlling shareholders of the Company or their controlled entities regarding the referral of its new direct investment business. After the evaluation by the investment decision committee of Guolian Capital, it unanimously agreed not to proceed with these new direct investment opportunities referred, the reasons of which mainly include the difficulty in controlling risks of these projects, long operating cycle, long investment cycle, large early stage of participation cost and difficult to exit, these projects not complying with the internal system requirement of Guolian Capital or the industry of these projects being beyond the areas in which Guolian Capital usually invests.

Other Information

XV. CHANGES TO INFORMATION IN RESPECT OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

During the reporting period, Mr. Yao Zhiyong, the chairman of the Company, was appointed as the vice president of Guolian Group. To balance the time and efforts allocated by Mr. Yao between Guolian Group and the Company, the board of directors of the Company decided to change the role of Mr. Yao from executive director to non-executive director.

Save as disclosed above, as at the end of Reporting Period, there is no change regarding the biographical information related to Directors, Supervisors and chief executive required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as compared with those disclosed in the 2016 annual report.

XVI. EVENTS AFTER THE REPORTING PERIOD

On 6 July 2017, the Company entered into the Equity Transfer Agreement with The Royal Bank of Scotland plc, pursuant to which, the Company has agreed to acquire 33.3% of the equity interest held by RBS in Hua Ying Securities. Upon completion of the Acquisition, Hua Ying Securities will become a wholly-owned subsidiary of the Company.

On 10 July 2017, as approved by Shanghai Stock Exchange (Shang Zheng Han No. [2017] 504), the Company successfully issued “Non-public issue of 2017 securities company short-term corporate bonds of Guolian Securities Co., Ltd. (first tranche)”, which is abbreviated as “17 Guolian D1”. The issue size of the bonds is amounted to RMB500 million with the annual coupon rate of 5% and the term of 9 months. Such issue is for working capital purpose.

On 24 August 2017, as approved by CSRC (Zheng Jian Xu Ke No. [2017] 1381), the Company successfully issued the “Public issue of 2017 corporate bonds of Guolian Securities Co., Ltd. (first tranche)” at Shanghai Stock Exchange. The issue size of the bonds is amounted to RMB1.0 billion with the annual coupon rate of 5% and the term of 3 years. Such issue is for its liquidity purpose.



Definitions

“Board”	the board of director(s) of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
“China”, “PRC”	the People’s Republic of China
“collective asset management scheme”	an asset management contract entered into with multiple clients by a securities firm, pursuant to which the clients’ assets are placed in the custody of commercial banks or in other institutions approved by the CSRC which are qualified to hold client transaction settlement funds, and the securities firm provides asset management services to the clients through designated accounts
“Company”, “our Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司), a joint stock company incorporated on 19 November 1992 in the PRC, with its H shares listed on the Hong Kong Stock Exchange (stock code: 01456)
“Company Law”	the Company Law of the PRC
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Guolian Group, Guolian Trust, Wuxi Electric, Min Sheng Investment, Yimian Textile, Huaguang Boiler, Guolian Industrial and Guolian Financial Investment
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“CSRC Jiangsu Bureau”	Jiangsu Regulatory Bureau of the China Securities Regulatory Commission
“Direct Investment Business”	a business in which the subsidiary for private equity business set up by the securities firm leverages on its own professional advantage to search for and find quality investment projects and make equity or debt investment with their own or raised funds, so as to obtain income from equity interest or debts
“Director(s)”	the director(s) of the Company

Definitions

“End of the Reporting Period”	30 June 2017
“Futures IB”	the business activities in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions for the futures companies and provide other related services
“GDP”	gross domestic product
“Group”, “our Group”	our Company and its subsidiaries which are Guolian Capital Co., Ltd. and Hua Ying Securities Co., Ltd.
“Guolian Capital”	Guolian Capital Co., Ltd. (國聯通寶資本投資有限責任公司), a limited liability company established in the PRC on 18 January 2010 and a direct wholly-owned subsidiary of our Company
“Huaguang Boiler”	Wuxi Huaguang Boiler Co., Ltd. (無錫華光鍋爐股份有限公司)
“Guolian Financial Investment”	Wuxi Guolian Financial Investment Group Co., Ltd. (無錫國聯金融投資集團有限公司), a wholly-owned subsidiary of Guolian Group
“Guolian Group”	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)
“Guolian Industrial”	Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司)
“Guolian Trust”	Guolian Trust Co., Ltd. (國聯信託股份有限公司)
“Guolian Industrial Investment”	Wuxi Guolian Industrial Investment Co., Ltd. (無錫國聯產業投資有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of Guolian Group
“Hua Ying Securities”	Hua Ying Securities Co., Ltd. (華英證券有限責任公司), a Sino-foreign joint venture company established in the PRC with limited liability on 20 April 2011, and a subsidiary owned as to 66.7% by our Company



Definitions

“IFRS”	include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“IPO”	initial public offering
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Min Sheng Investment”	Wuxi Min Sheng Investment Co., Ltd., a wholly-owned subsidiary of Wuxi Guolian Financial Investment Group Co., Ltd. and holds 3.864% of the equity interest of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuer contained in Appendix 10 of the Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“Non-competition Agreement”	the non-competition agreement dated 15 June 2015 entered into among the Company and Guolian Group, Guolian Trust, Wuxi Electric, Guolian Textile, Guolian Environmental and Guolian Industrial
“Reporting Period”	the period for six months ended 30 June 2017
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholders”	holders of the shares of the Company
“Southbound Trading”	a mechanism of trading and settlement under which the investors of Mainland China can buy or sell H shares directly via the securities companies (or brokers) of Mainland China
“special asset management scheme”	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account

Definitions

“specialized asset management scheme”	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client’s name
“SSE Composite Index”	Shanghai SE Composite Index, reflecting changes of price of shares listed on Shanghai Stock Exchange
“Supervisor(s)”	the Supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“SZSE Composite Index”	Shenzhen SE Composite Index, reflecting changes of price of A and/or B shares listed on Shenzhen Stock Exchange
“Wind Information”	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock limited liability company incorporated in the PRC and a service provider of financial data, information and software
“Choice”	An internet big data financial terminal which is intended for use by various institutional users including all kinds of financial investment institutions, research institutions and academic institutions
“Wuxi Electric”	Wuxi Municipal Electric Power Company* (無錫市地方電力公司), a wholly-owned subsidiary of Guolian Industrial, which holds 14.03% of the equity interest of the Company
“Xiaorongbao (小融寶)”	the small securities-backed financing service provided to the customers by the Group
“Yi Mian Textile”	Wuxi Yimian Textile Group Co., Ltd. (無錫一棉紡織集團有限公司), formerly known as Wuxi Guolian Textile Group Co., Ltd. (無錫國聯紡織集團有限公司)

This Interim Report is prepared both in Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.



Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

To the Board of Directors of Guolian Securities Co., Ltd.

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

Introduction

We have reviewed the condensed consolidated financial statements of Guolian Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 38 to 92, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“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” issued by the International Auditing and Assurance Standards Board. 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 the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Revenue			
– Commission and fee income	4	369,016	653,449
– Interest income	5	345,038	409,560
Net investment gains	6	90,281	100,774
Other income	7	2,480	4,167
Total revenue and other income		806,815	1,167,950
Commission and fee expenses	8	(74,401)	(120,278)
Interest expenses	9	(112,805)	(154,626)
Staff costs	10	(189,526)	(244,110)
Depreciation and amortization		(27,686)	(26,021)
Other operating expenses	11	(96,671)	(130,377)
Impairment losses	12	(1,034)	(62,169)
Total expenses		(502,123)	(737,581)
Share of profit of associates	18	14,986	15,756
Other gains, net	13	(12,512)	22,819
Profit before income tax		307,166	468,944
Income tax expense	14	(65,900)	(120,307)
Profit for the period		241,266	348,637
Attributable to:			
Shareholders of the Company		237,931	334,322
Non-controlling interests		3,335	14,315
Earnings per share (Expressed in RMB per share)			
– Basic	15	0.13	0.18



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Notes	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Profit for the period		241,266	348,637
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive expense of investments in associates		(450)	(3,320)
Available-for-sale financial assets			
– Changes in fair value		90,619	(64,847)
– Amounts reclassified to profit or loss upon disposal or impairment provision of available-for-sale financial assets		(87,356)	(6,126)
– Income tax effect		(815)	16,212
Other comprehensive income (expense) for the period, net of tax		1,998	(58,081)
Total comprehensive income		243,264	290,556
Attributable to:			
Shareholders of the Company		239,929	276,241
Non-controlling interests		3,335	14,315

The notes on pages 45 to 92 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Assets			
Non-current assets			
Property and equipment	17	98,909	105,572
Intangible assets		25,684	27,625
Investments in associates	18	219,760	219,256
Other non-current assets		22,171	20,178
Available-for-sale financial assets	19	335,080	887,418
Financial assets held under resale agreements	24	830,391	432,100
Deferred income tax assets	20	26,720	8,605
Refundable deposits	21	112,204	80,216
Total non-current assets		1,670,919	1,780,970
Current assets			
Other current assets	22	288,653	265,035
Available-for-sale financial assets	19	704,413	776,601
Margin accounts receivable	23	4,115,882	4,353,213
Financial assets held under resale agreements	24	2,394,903	1,549,296
Financial assets at fair value through profit or loss	25	2,375,341	2,732,492
Clearing settlement funds	26	2,379,752	3,296,270
Cash held for brokerage clients		6,161,322	6,773,686
Cash and bank balances	27	2,184,019	2,464,918
Total current assets		20,604,285	22,211,511
Total assets		22,275,204	23,992,481
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	28	1,902,400	1,902,400
Share premium		2,178,478	2,178,478
Reserves		1,674,230	1,672,232
Retained earnings		1,787,628	1,816,033
Total equity attributable to shareholders of the Company		7,542,736	7,569,143
Non-controlling interests		330,362	327,027
Total equity		7,873,098	7,896,170



Condensed Consolidated Statement of Financial Position

As at 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Liabilities			
Non-current liabilities			
Bonds in issue	29	1,500,000	1,500,000
Total non-current liabilities		1,500,000	1,500,000
Current liabilities			
Other current liabilities	30	572,025	436,573
Current income tax liabilities		44,663	63,712
Bonds in issue	29	1,550,000	1,800,000
Due to other financial institutions	31	300,000	–
Derivative financial liabilities	32	–	244
Financial assets sold under repurchase agreements	33	409,800	882,240
Financial liabilities at fair value through profit or loss	34	1,833,432	1,787,478
Accounts payable to brokerage clients		8,192,186	9,626,064
Total current liabilities		12,902,106	14,596,311
Total liabilities		14,402,106	16,096,311
Total equity and liabilities		22,275,204	23,992,481
Net current assets		7,702,179	7,615,200
Total assets less current liabilities		9,373,098	9,396,170

The consolidated financial statements on pages 38 to 92 were approved and authorised for issue by the Board of Directors on 25 August 2017 and signed on behalf by:

Yao Zhiyong

Chairman of the Board and non-Executive Director

Peng Yanbao

Executive Director and President

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000		
Balance at 1 January 2017	1,902,400	2,178,478	1,672,232	1,816,033	7,569,143	327,027	7,896,170
Profit for the period	-	-	-	237,931	237,931	3,335	241,266
Other comprehensive income (expense) for the period	-	-	1,998	-	1,998	-	1,998
Total comprehensive income (expense) for the period	-	-	1,998	237,931	239,929	3,335	243,264
Dividends recognized as distribution (Note 16)	-	-	-	(266,336)	(266,336)	-	(266,336)
Balance at 30 June 2017 (unaudited)	1,902,400	2,178,478	1,674,230	1,787,628	7,542,736	330,362	7,873,098
Balance at 1 January 2016	1,902,400	2,178,478	1,522,573	2,131,832	7,735,283	293,486	8,028,769
Profit for the period	-	-	-	334,322	334,322	14,315	348,637
Other comprehensive income (expense) for the period	-	-	(58,081)	-	(58,081)	-	(58,081)
Total comprehensive income (expense) for the period	-	-	(58,081)	334,322	276,241	14,315	290,556
Dividends recognized as distribution (Note 16)	-	-	-	(760,960)	(760,960)	-	(760,960)
Balance at 30 June 2016 (unaudited)	1,902,400	2,178,478	1,464,492	1,705,194	7,250,564	307,801	7,558,365

The notes on pages 45 to 92 form an integral part of these condensed consolidated financial statements.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities		
Profit before income tax	307,166	468,944
Adjustments for:		
Depreciation and amortisation	27,686	26,021
Impairment losses	1,034	62,169
Net losses/(gains) on disposal of property and equipment and other intangible assets	80	(250)
Unrealised fair value change of financial instruments at fair value through profit or loss	42,106	13,938
Foreign exchange losses/(gains)	15,786	(20,231)
Share of profit of associates	(14,986)	(15,756)
Interest expense of bonds in issue and short-term notes	81,545	124,155
Realised gains from disposal of available-for-sale financial assets	(83,549)	(74,349)
Dividends and interest income from available-for-sale financial assets	(6,741)	(6,224)
Operating cash flows before movements in working capital	370,127	578,417
Net decrease in margin accounts receivable	238,045	1,965,007
Net decrease/(increase) in financial assets held for trading and derivative financial assets	358,290	(931,423)
Net increase in financial assets held under resale agreements	(1,898,498)	(216,440)
Net decrease/(increase) in refundable deposits	(31,988)	36,284
Net decrease/(increase) in cash held for brokerage clients	612,364	(625,671)
Net decrease in clearing settlement funds held for clients	828,944	1,519,316
Net increase in other assets	(28,378)	(75,335)
Net decrease in accounts payable to brokerage customers	(1,433,878)	(1,268,016)
Net increase/(decrease) in financial assets sold under repurchase agreements	(472,440)	187,053
Net increase in due to other financial institutions	300,000	-
Net decrease in other liabilities	(155,336)	(144,974)
Net increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	2,465	80,664
Cash generated from/(used in) operations	(1,310,283)	1,104,882
Income taxes paid, net	(103,879)	(161,625)
Net cash generated by/(used in) operating activities	(1,414,162)	943,257

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Dividends and interest received from investments	6,741	6,224
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	202	464
Purchase of property and equipment, intangible assets and other long-term assets	(21,357)	(19,782)
Cash paid for purchase of available-for-sale financial assets	(244,434)	(852,149)
Cash received from disposal of available-for-sale financial assets	959,580	670,231
Payment for investments in associates	-	(6,000)
Net cash generated by/(used in) investing activities	700,732	(201,012)
Cash flows from financing activities		
Cash received from additional bonds and short term notes in issue	50,000	600,000
Cash paid for repayment of bonds and short term notes in issue	(300,000)	(2,700,000)
Interest paid for bonds and short term notes in issue	(38,163)	(104,174)
Net cash generated by/(used in) financing activities	(288,163)	(2,204,174)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(15,786)	20,231
Net decrease in cash and cash equivalents	(1,001,593)	(1,461,929)
Cash and cash equivalents at the beginning of the period	3,788,648	4,867,905
Cash and cash equivalents at the end of the period	2,771,269	3,426,207

The notes on pages 45 to 92 form an integral part of these condensed consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

1 General information

Guolian Securities Co., Ltd. (國聯證券股份有限公司) (the “Company”) is a joint stock financial institution incorporated in Jiangsu Province, the People’s Republic of China (the “PRC”).

The Company, originally named as Wuxi Securities Company (無錫市證券公司), was set up upon approval from the People’s Bank of China in November 1992 as a collectively owned enterprise with an initial registered capital of RMB32,000 thousand. On 8 January 1999, the Company was converted to a limited liability company and was renamed as Wuxi Securities Co., Ltd. (無錫證券有限責任公司). On 16 May 2008, Wuxi Securities Co., Ltd. was converted to a joint-stock company upon approval by the China Securities Regulatory Commission (the “CSRC”) with a registered capital of RMB1,500,000 thousand and was renamed as Guolian Securities Co., Ltd. (國聯證券股份有限公司).

The Company completed its initial public offering of overseas-listed foreign shares (“H shares”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 6 July 2015. Under this offering, the Company issued a total of 402,400 thousand shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB1,902,400 thousand.

As at 30 June 2017, the registered capital of the Company is RMB1,902,400 thousand. The Company holds the securities institution license No.13120000 and business license No. 91320200135914870B. The registered address of the Company is No. 8 Jinrong One Street Wuxi, Jiangsu Province, PRC.

The Company and its subsidiaries (the “Group”) are engaged in the following principal activities: securities brokerage, investment consultancy and financial advisory, securities underwriting and sponsorship, proprietary securities investment, asset management, introducing broker for futures companies, margin financing and securities lending, and agency sale of financial broker products.

These condensed consolidated financial statements were authorised for issue by the Board of Directors (the “Board”) on 25 August 2017.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

2 Basis of preparation and principal accounting policies

(a) Basis of preparation

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

(b) Principal accounting policies

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

Except as describe below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the amendments to IFRSs which are mandatorily effective for the current interim period. The application of these amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The application of the amendments to International Accounting Standards 7 will result in more disclosures relating to the reconciliation of liabilities arising from financing activity in the Group’s annual consolidated financial statements which included: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3 Segment analysis

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

- (a) Securities brokerage: securities trading and brokering services;
- (b) Credit transaction: providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;
- (c) Investment banking: corporate finance and financial advisory services to institutional clients;
- (d) Proprietary trading: trading in financial products;
- (e) Asset management and investment: direct investments and funds related businesses, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the period ended 30 June 2017.

The Group mainly operates in Jiangsu Province, the PRC. Almost all of the revenue and other income of the Group are generated in the PRC.

Non-current assets of the Group are all located in the PRC.

No income from any single customer contributed over 10% of the total revenue and other income of the Group.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3 Segment analysis (continued)

	Six months ended 30 June 2017							Total
	Securities brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	
(Unaudited)								
Total revenue and other income								
Commission and fee income								
– External	275,029	–	70,293	–	23,694	–	–	369,016
– Internal	–	–	–	–	–	–	–	–
Interest income								
– External	82,500	204,262	20,214	1,092	9,504	27,466	–	345,038
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	20,445	81,927	(12,091)	–	–	90,281
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	253	–	–	–	–	2,227	–	2,480
– Internal	–	–	–	–	–	–	–	–
Total expenses (including reversal of impairment losses)	(237,585)	(95,227)	(77,903)	3,517	(17,426)	(77,499)	–	(502,123)
Operating profit	120,197	109,035	33,049	86,536	3,681	(47,806)	–	304,692
Other gains, net								
– External	(80)	–	437	–	2,167	(15,036)	–	(12,512)
– Internal	–	–	–	–	–	–	–	–
Share of profit of investments in associates	–	–	–	–	49	14,937	–	14,986
Profit (Loss)/before income tax	120,117	109,035	33,486	86,536	5,897	(47,905)	–	307,166



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3 Segment analysis (continued)

	Six months ended 30 June 2016							Total
	Securities brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	
(Unaudited)								
Total revenue and other income								
Commission and fee income								
– External	426,620	–	197,356	–	29,473	–	–	653,449
– Internal	–	–	–	–	–	–	–	–
Interest income								
– External	114,710	232,810	14,926	206	16,975	29,933	–	409,560
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	20,148	75,371	4,789	466	–	100,774
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	1,431	–	–	–	32	2,704	–	4,167
– Internal	–	–	–	–	–	750	(750)	–
Total expenses (including reversal of impairment losses)	(293,921)	(129,777)	(160,230)	(54,711)	(14,754)	(84,938)	750	(737,581)
Operating profit	248,840	103,033	72,200	20,866	36,515	(51,085)	–	430,369
Other gains, net								
– External	36	–	2,050	–	(89)	20,822	–	22,819
– Internal	–	–	–	–	–	–	–	–
Share of profit of investments in associates	–	–	–	–	–	15,756	–	15,756
Profit (Loss)/before income tax	248,876	103,033	74,250	20,866	36,426	(14,507)	–	468,944

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

3 Segment analysis (continued)

30 June 2017								
	Security brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	Total
(Unaudited)								
Total assets	7,565,520	8,305,720	1,364,303	929,451	2,628,610	2,215,435	(733,835)	22,275,204
Total liabilities	7,451,944	4,079,641	321,753	41,990	1,984,701	522,077	-	14,402,106

Six months ended 30 June 2017								
(Unaudited)								
Supplemental information								
Depreciation and amortization	11,698	865	1,095	381	164	13,483	-	27,686
Impairment losses (reversal)	(195)	5,033	3,800	(7,582)	(22)	-	-	1,034
Capital expenditure	3,801	-	744	8	25	16,779	-	21,357

31 December 2016								
	Security brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	Total
(Audited)								
Total assets	8,928,378	6,715,269	1,652,310	2,110,374	2,778,953	2,541,062	(733,865)	23,992,481
Total liabilities	8,838,910	4,127,812	639,545	103,635	2,142,081	244,328	-	16,096,311

Six months ended 30 June 2016								
(Unaudited)								
Supplemental information								
Depreciation and amortization	14,170	110	1,453	413	97	9,778	-	26,021
Impairment losses (reversal)	14,718	(4,892)	199	51,780	642	(278)	-	62,169
Capital expenditure	5,357	743	188	-	50	12,693	-	19,031



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

4 Commission and fee income

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Securities brokerage	275,029	426,620
Underwriting and sponsorship	40,170	148,389
Investment consultancy and financial advisory	30,123	48,967
Asset management	23,694	29,473
	369,016	653,449

5 Interest income

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Interest income from margin financing and securities lending	156,799	189,835
Interest income from bank deposits	133,178	166,461
Interest income from financial assets held under resale agreements	55,061	53,264
	345,038	409,560

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

6 Net investment gains

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Net gains from disposal of available-for-sale financial assets	83,549	74,349
Dividends and interest income from available-for-sale financial assets	6,741	6,224
Realised gains from disposal of financial assets at fair value through profit or loss	42,191	(3,460)
Distribution to interest holders of consolidated structured entities	(65,764)	(62,048)
Dividends and interest income from financial assets at fair value through profit or loss	64,862	88,837
Net realised gains from derivative financial instruments	808	10,810
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	1,139	(36,752)
– Derivative financial instruments	(99)	62
– Financial liabilities at fair value through profit or loss	(43,146)	22,752
	90,281	100,774

7 Other income

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Rental income	2,432	3,985
Others	48	182
	2,480	4,167



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

8 Commission and fee expenses

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Securities brokerage	72,910	109,565
Underwriting and sponsorship	472	7,640
Investment consultancy and financial advisory	–	92
Asset management	1,019	2,981
	74,401	120,278

9 Interest expenses

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Interest expenses of bonds in issue	75,694	120,202
Interest expenses of short-term notes	5,851	3,953
Interest expenses of financial assets sold under repurchase agreements	11,551	6,586
Interest expenses of accounts payable to brokerage clients	16,889	23,873
Interest expenses of due to other financial institutions	2,820	12
	112,805	154,626

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

10 Staff costs

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Salaries and bonus	123,866	187,577
Pension	36,103	31,115
Other social security	17,660	13,299
Labor union funds and employee education funds	2,553	2,486
Other welfare	9,344	9,633
	189,526	244,110

11 Other operating expenses

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Tax and surcharges	4,219	37,325
Rentals	26,942	26,311
Marketing and distribution expenses	10,105	9,669
Office expenses	8,197	11,103
Travelling expenses	10,337	10,684
Securities investors protection fund	4,921	9,222
Professional service expenses	3,879	4,636
Consulting expenses	4,720	3,268
Others	23,351	18,159
	96,671	130,377



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

12 Impairment losses/(reversal)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Available-for-sale financial assets	(3,807)	66,181
Financial assets held under resale agreements	5,694	1,320
Accounts receivable	(139)	563
Margin accounts receivable	(714)	(5,895)
	1,034	62,169

13 Other gains, net

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Foreign exchange gains (losses)	(15,786)	20,231
Others	3,274	2,588
	(12,512)	22,819

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

14 Income tax expense

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Current income tax expense		
– Mainland China	93,297	139,452
(Over)/under provision in prior years		
– Mainland China	(8,467)	6,042
	84,830	145,494
Deferred taxation		
– Mainland China (Note 20)	(18,930)	(25,187)
Income tax		
– Mainland China	65,900	120,307

The mainland China income tax provision is based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%.



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

15 Earnings per share

15.1 Basic earnings per share

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company (in RMB'000)	237,931	334,322
Weighted average number of ordinary shares in issue (in thousand)	1,902,400	1,902,400
Basic earnings per share (in RMB)	0.13	0.18

15.2 Diluted earnings per share

For the six months ended 30 June 2017 and 2016, there were no potential diluted ordinary shares, so no diluted earnings per share was presented.

16 Profit distribution

Pursuant to the resolution of the shareholders' meeting held on 29 June 2017, the Company declared a final cash dividend for the year ended 31 December 2016 of RMB0.14 per share, or RMB266,336 thousand in aggregate, which has not been paid to the shareholders of the Company by 30 June 2017 (for the year ended 31 December 2015: The Company declared a final cash dividend of RMB0.40 per share, or RMB760,960 thousand in aggregate).

The directors of the Company have determined that no interim dividend will be paid.

17 Property and equipment

During the six months ended 30 June 2017, the Group acquired property and equipment with a cost of RMB4,820 thousand (unaudited) (six months ended 30 June 2016: RMB11,081 thousand (unaudited)).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

18 Investments in associates

Set out below are the associates of the Group as at 30 June 2017 and 31 December 2016, which, in the opinion of the directors of the Company, are material to the Group. Investment in associates as listed below are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business/ country of incorporation	% of ownership interest as at 30 June 2017	% of ownership interest as at 31 December 2016	Measurement method
Zhonghai Fund Management Co., Ltd. ⁽¹⁾	PRC	33.41	33.41	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.) ⁽²⁾	PRC	33.33	33.33	Equity

(1) Zhonghai Fund Management Co., Ltd. held by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

(2) Wuxi Guolian Lingxiang SME Investment Company (L.P.) is a limited partnership, held by Guolian Tongbao Capital Investment Co., Ltd. which mainly operates in investment in small and medium enterprises.

All the entities are private companies and there are no quoted market prices available for their shares.

There are no contingent liabilities relating to the Group's interest in the associates.

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Balance at beginning of the period/year	219,256	203,498
Additional investments	–	6,000
Share of profit	14,986	27,539
Share of other comprehensive expense	(450)	(2,717)
Dividends declared/received	(14,032)	(15,064)
Balance at end of the period/year	219,760	219,256



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

19 Available-for-sale financial assets

Non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
At cost		
Investment in unlisted companies	104,914	121,914
At fair value		
Debt instruments	81,287	72,305
Collective asset management schemes	148,879	139,002
Other equity investment	-	554,197
	230,166	765,504
	335,080	887,418
Analysed as		
Unlisted	335,080	887,418
	335,080	887,418

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

19 Available-for-sale financial assets (continued)

Current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
At fair value		
Equity securities	486,734	549,954
Investment funds	70,018	98,530
Collective asset management schemes	147,661	128,117
	704,413	776,601
Analysed as		
Listed in Hong Kong	135,851	128,479
Listed outside Hong Kong	356,557	432,236
Unlisted	212,005	215,886
	704,413	776,601

- (1) As at 31 December 2016, other equity investment mainly includes an investment in designated accounts established and managed by China Securities Finance Corporation Limited (“CSF”). According to the relevant contracts between the securities companies and CSF, the Company, along with other securities companies, make investments in a designated account managed by CSF, and share the risk and reward profiles in proportion. The Company contributed RMB500,000 thousand into the designated account during 2015. The fair value of the investments was determined based on the valuation provided by the CSF.
- (2) As at 30 June 2017, available-for-sale financial asset for the Group included securities lent to clients of RMB31,709 thousand (unaudited) (31 December 2016: RMB14,399 thousand).
- (3) As at 30 June 2017, the fair value of securities of the Group which have been placed as collateral is RMB31,600 thousand (unaudited) (31 December 2016: nil).



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

20 Deferred income tax assets and liabilities

(1) The net movements on the deferred income tax account are as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Balance at beginning of period/year	8,605	(30,094)
Credit to profit or loss (Note 14)	18,930	34,523
Tax (charge)/credit relating to components of other comprehensive income	(815)	4,176
Balance at end of the period/year	26,720	8,605

(2) The gross movements in deferred income tax assets and liabilities during the period are as follows:

	Impairment losses	Other	Total
As at 1 January 2017	34,662	21,162	55,824
(Charge)/credit to profit or loss	(3,959)	3,200	(759)
As at 30 June 2017	30,703	24,362	55,065
As at 1 January 2016	14,100	13,339	27,439
(Charge)/credit to profit or loss	20,562	7,823	28,385
As at 31 December 2016	34,662	21,162	55,824

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

20 Deferred income tax assets and liabilities (continued)

(2) The gross movements in deferred income tax assets and liabilities during the period are as follows: (continued)

	Changes in fair value of available- for-sale financial assets	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of derivatives	Other	Total
As at 1 January 2017	20,155	248	25	26,791	47,219
Charge/(credit) to profit or loss	–	285	(25)	(19,949)	(19,689)
Tax charge relating to components of other comprehensive income	815	–	–	–	815
As at 30 June 2017	20,970	533	–	6,842	28,345
As at 1 January 2016	24,331	2,102	4	31,096	57,533
Charge/(credit) to profit or loss	–	(1,854)	21	(4,305)	(6,138)
Tax charge relating to components of other comprehensive income	(4,176)	–	–	–	(4,176)
As at 31 December 2016	20,155	248	25	26,791	47,219

21 Refundable deposits

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	81,754	42,205
– Shenzhen Stock Exchange	27,679	35,219
– China Beijing Equity Exchange	2,771	1,172
Deposits to futures brokers		
– Guolian Futures Co., Ltd. (“Guolian Futures”)	–	1,620
	112,204	80,216



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

22 Other current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Interest receivable	203,125	188,194
Accounts receivable ^(a)	43,903	48,174
Prepaid expenses	30,076	13,671
Other receivables ^(a)	12,158	15,744
Less: Impairment allowance	(609)	(748)
	288,653	265,035

(a) Account receivables and other receivables

The aging analysis of accounts receivables and other receivables are as follows:

	30 June 2017		31 December 2016	
	Amount (Unaudited)	Impairment allowance (Unaudited)	Amount (Audited)	Impairment allowance (Audited)
Up to 1 year	49,104	(261)	45,378	(172)
1 to 3 years	4,273	(214)	16,058	(452)
Over 3 years	2,684	(134)	2,482	(124)
	56,061	(609)	63,918	(748)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

23 Margin accounts receivable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Margin accounts receivable	4,128,267	4,366,312
Less: Impairment allowance	(12,385)	(13,099)
	4,115,882	4,353,213

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 30 June 2017, impairment allowance amounting to RMB12,385 thousand (unaudited) (31 December 2016: RMB13,099 thousand) was provided on a collective basis but no margin accounts receivable is overdue.

Margin accounts receivable as at 30 June 2017 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB12,772,216 thousand (unaudited) (31 December 2016: RMB13,716,076 thousand).

24 Financial assets held under resale agreements

Non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Analysed by asset type:		
– Equity securities	832,890	433,400
Less: Impairment allowance	(2,499)	(1,300)
	830,391	432,100
Analysed by market:		
– Shanghai Stock Exchange	429,697	–
– Shenzhen Stock Exchange	400,694	432,100
	830,391	432,100



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

24 Financial assets held under resale agreements (continued)

Current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Analysed by asset type:		
– Equity securities	2,133,095	634,087
– Debt securities	268,206	917,112
Less: Impairment allowance	(6,398)	(1,903)
	2,394,903	1,549,296
Analysed by market:		
– Interbank market	204,203	753,712
– Shanghai Stock Exchange	1,321,814	300,793
– Shenzhen Stock Exchange	868,886	494,791
	2,394,903	1,549,296

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

25 Financial assets at fair value through profit or loss

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Financial assets held for trading		
– Debt securities	2,205,958	2,350,006
– Equity securities	55,741	74,158
– Investment funds	40,002	129,190
	2,301,701	2,553,354
Financial assets designated at fair value through profit or loss		
– Debt securities	23,640	36,478
– Asset backed securities	50,000	50,190
– Equity securities	–	92,470
	73,640	179,138
	2,375,341	2,732,492
Analysed as:		
Financial assets held for trading		
– Listed outside Hong Kong	2,301,701	2,553,354
	2,301,701	2,553,354
Analysed as:		
Financial assets designated at fair value through profit or loss		
– Listed outside Hong Kong	73,640	179,138
	73,640	179,138
	2,375,341	2,732,492



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

25 Financial assets at fair value through profit or loss (continued)

If a portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Group's investment strategy, and information about the portfolio is reported to the management on that basis, the same basis is adopted for designation. According to this principle, the Group manages certain financial assets at fair value under the established investment strategy and considers the relationship between assets and liabilities, in order to mitigate the market risk, and therefore designates these financial assets at fair value through profit or loss.

As at 30 June 2017, the fair value of securities of the Group which have been placed as collateral was RMB1,137,199 thousand (unaudited) (31 December 2016: RMB1,369,072 thousand).

26 Clearing settlement funds

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Clearing settlement funds held for clients	2,060,708	2,889,652
Proprietary clearing settlement funds	319,044	406,618
	2,379,752	3,296,270

27 Cash and bank balances

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash	3	–
Bank balances	2,184,016	2,464,918
	2,184,019	2,464,918

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

28 Share capital

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Registered, issued and fully paid share capital (in thousand)	1,902,400	1,902,400

29 Bonds in issue

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current		
Subordinated bonds with fixed rate – 2017 ^(a)	1,500,000	1,500,000
Income certificates ^(c)	50,000	300,000
Non-Current		
Subordinated bonds with fixed rate – 2021 ^(b)	1,500,000	1,500,000
	3,050,000	3,300,000

(a) On 31 October 2014, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 6.20% paid annually.

(b) On 29 July 2016, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.89% paid annually.

(c) As at 30 June 2017, income certificate was with a maturity of 296 days and bore interest rates of 4.50% per annum paid at maturity (unaudited) (As at 31 December 2016, income certificates were with a maturity of 24 months and bore interest rates ranging from 6.36% to 6.40% per annum paid at maturity).



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

30 Other current liabilities

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Salaries, bonus, allowances and benefits payable	82,914	255,261
Interest payable	121,109	74,903
Accounts payable	55,098	24,112
Other taxes payable	10,434	17,077
Securities investor protection fund	5,384	6,928
Dividends payable	266,336	–
Others	30,750	58,292
	572,025	436,573

31 Due to other financial institutions

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Due to other financial institutions	300,000	–
	300,000	–

As at 30 June 2017, the taking from China Securities Finance Corporation Limited bears interest rate of 4.70% per annum, with original maturities within 91 days.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

32 Derivative financial instruments

The derivative financial instruments of the Group mainly represent stock index futures contracts. The Group settles its gains or losses on stock index futures ("SIF") position on a daily basis. At 30 June 2017, there is no derivative financial instruments.

	30 June 2017		31 December 2016	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Listed options	-	-	-	244
	-	-	-	244

33 Financial assets sold under repurchase agreements

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Analysed by asset type:		
- Debt securities	409,800	882,240
	409,800	882,240
Analysed by market:		
- Interbank market	149,800	459,741
- Shanghai Stock Exchange	260,000	413,499
- Shenzhen Stock Exchange	-	9,000
	409,800	882,240
Analysed by transaction type:		
- Pledged	409,800	882,240
	409,800	882,240



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

34 Financial liabilities at fair value through profit or loss

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Interests of other holders of consolidated structured entities	1,833,432	1,787,478

35 Cash and cash equivalents

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

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Cash	3	59
Bank balances	2,184,016	3,274,173
Proprietary clearing settlement funds	319,044	366,975
Cash equivalents	268,206	215,000
	2,771,269	3,426,207

Notes to the Condensed Consolidated Financial Statements

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36 Commitments and contingent liabilities

(1) Capital commitments

As at 30 June 2017, the Group was not involved in any material commitments (unaudited) (31 December 2016: nil).

(2) Operating lease commitments

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	46,215	41,324
1 to 5 years	84,108	94,466
Over 5 years	34,977	39,386
	165,300	175,176

(3) Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities. As at 30 June 2017, the Group and the Company were not involved in any material legal, arbitration or administrative proceedings which the Group expected would have significant adverse impact on its financial position and operating results, should unfavorable rulings have been handed down. (31 December 2016: nil).



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37 Related party transactions

37.1 Transactions and balances with the Company's controlling shareholder

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as "Guolian Group" together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,000,000 thousand. As at 30 June 2017, Guolian Group directly held 28.59% of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in the Company through its subsidiaries of Guolian Trust Co., Ltd. ("Guolian Trust"), Wuxi Municipal Electric Power Company ("Wuxi Electric"), Wuxi Yi Mian Textile Group Co., Ltd. ("Yi Mian Textile"), Wuxi Huaguang Boiler Co., Ltd. ("Wuxi Huaguang Boiler") and Wuxi Min Sheng Investment Co., Ltd. ("Min Sheng Investment").

Guolian Trust is the subsidiary of Guolian Group who directly held 65.85% of the equity interest. As at 30 June 2017, Guolian Trust held 20.51% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2017, Wuxi Electric held 14.03% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 30 June 2017, Yi Mian Textile held 3.83% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2017, Min Sheng Investment held 3.86% of the equity interest in the Company.

Wuxi Huaguang Boiler is the subsidiary of Guolian Group who directly held 72.11% of the equity interest. As at 30 June 2017, Wuxi Huaguang Boiler held 1.53% of the equity interest in the Company.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37 Related party transactions (continued)

37.1 Transactions and balances with the Company's controlling shareholder (continued)

Transactions during the period

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Income from providing securities brokerage services	–	–
Income from providing asset management services	1,831	136
Income from providing underwriting services	–	7,850
Rental expense	717	502

Balances at the end of the period/year

	30 June	31 December
	2017 (Unaudited)	2016 (Audited)
Cash held for brokerage clients	50,890	1,363

In addition to the above related party transactions, the Company provided asset management services to Guolian Group As at 30 June 2017, the assets under management for Guolian Group amounted approximately RMB2,151 thousand (unaudited) (31 December 2016:RMB139,550 thousand). For the six months ended 30 June 2017, the asset management fee income was RMB1,831 thousand (unaudited) (For the six months ended 30 June 2016: RMB136 thousand (unaudited)).



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37 Related party transactions (continued)

37.2 Other related party transactions and balances

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

Significant related legal entities	The relationship with the Group
Guolian Trust	Controlled by the controlling shareholder of the Company
Guolian Futures	Controlled by the controlling shareholder of the Company
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Controlled by the controlling shareholder of the Company
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Controlled by the controlling shareholder of the Company
Wuxi Huaguang Boiler Co., Ltd. ("Wuxi Huaguang Boiler")	Controlled by the controlling shareholder of the Company
Guolian Life Insurance Company Limited	Associate invested by the controlling shareholder of the Company
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37 Related party transactions (continued)

37.2 Other related party transactions and balances (continued)

Transactions during the period

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Income from providing securities brokerage services		
– Guolian Futures	272	360
– Guolian Trust	273	3,181
– Zhonghai Fund Management Co., Ltd.	2,393	1,918
– Others	276	253
Income from providing asset management services		
– Others	142	196
Income from providing underwriting services		
– Wuxi Huaguang Boiler	12,264	–
Rental income		
– Guolian Life Insurance Company Limited	1,600	2,178
– Guolian Futures	399	338
Rental expense		
– Guolian Xincheng	4,669	5,308
– Others	378	1,180
Income from providing financial advisory services		
– Wuxi Huaguang Boiler	1,887	–
– Others	189	–
Expense for receiving services		
– Guolian Property Management	1,016	769
– Guolian Futures	253	30
– Others	74	–



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(All amounts in RMB'000 unless otherwise stated)

37 Related party transactions (continued)

37.2 Other related party transactions and balances (continued)

Balances at the end of the period/year

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accounts payable		
– Guolian Futures	80	80
– Guolian Life Insurance Company Limited	50	50
Accounts receivable		
– Guolian Futures	7	–
Clearing settlement funds		
– Guolian Futures	8,206	13,342
Refundable deposits		
– Guolian Futures	–	1,620
Cash held for brokerage clients		
– Guolian Futures	1	–
– Guolian Trust	43	103
– Zhonghai Fund Management Co., Ltd.	1	6
– Wuxi Huaguang Boiler Co., Ltd.	1,477	–
– Others	6,493	918

In addition to the above related party transactions, the Company provided asset management services to other related parties. As at 30 June 2017, the assets under investment management for other related party amounted to approximately RMB44,111 thousand (unaudited) (31 December 2016: RMB194,088 thousand). For the six months ended 30 June 2017, the asset management fee income was RMB142 thousand (unaudited) (For the six months ended 30 June 2016: RMB196 thousand (unaudited)).

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

37 Related party transactions (continued)

37.3 Key management personnel

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

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Short term employee benefits	1,739	1,301
Post-employment benefits	445	362
	2,184	1,663

38 Fair value of financial assets and liabilities

38.1 Financial instruments not measured at fair value

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

38.2 Financial instruments measured at fair value

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

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



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

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

Financial assets/liabilities	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss				
- Listed debt securities	2,205,958	2,350,006	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of counterparty.
- Listed debt securities	23,640	36,478	Level 3	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of counterparty.
- Asset backed securities	50,000	50,190	Level 3	Discounted future cash flow estimated based on expected recoverable amounts at rates that reflect management's best estimation of the expected risk level.
- Equity securities and funds traded on stock exchanges	95,743	203,348	Level 1	Quoted bid price in an active market
- Equity securities traded on stock exchanges with lock-up periods	-	92,470	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial instruments				
– SIF	–	36	Level 1	Quoted bid prices in an active market.
– Listed options assets	–	–	Level 1	Quoted bid prices in an active market.
– Listed options liabilities	–	(244)	Level 1	Quoted bid prices in an active market.
Available-for-sale financial assets				
– Equity securities traded on stock exchanges	432,414	506,004	Level 1	Quoted bid prices in an active market.
– Equity securities listed on National Equities Exchange and Quotation	54,320	43,950	Level 2	Recent transaction prices.
– Investment funds	59,994	54,711	Level 1	Quoted bid prices in an active market.
– Collective asset management schemes	124,391	267,119	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Collective asset management schemes	172,149	–	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial assets				
(continued)				
- Debt instrument	81,287	72,305	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.
- Closed-end investment funds and other equity investment	10,024	598,016	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
Financial liabilities at fair value through profit or loss	(1,833,432)	(1,787,478)	Level 3	Calculated based on the fair value of the underlying investments with fair value hierarchy categorized as level 3 for which an adjustment or discount for lack of marketability is applied.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

As at 30 June 2017 (Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	55,741	–	–	55,741
– Debt securities	–	2,205,958	23,640	2,229,598
– Investment funds	40,002	–	–	40,002
– Asset backed securities	–	–	50,000	50,000
Available-for-sale financial assets				
– Equity securities	432,414	54,320	–	486,734
– Investment funds	59,994	10,024	–	70,018
– Collective asset management schemes	–	172,149	124,391	296,540
– Debt instrument	–	–	81,287	81,287
	588,151	2,442,451	279,318	3,309,920
Liabilities				
Financial liabilities at fair value through profit or loss				
	–	–	(1,833,432)	(1,833,432)
	–	–	(1,833,432)	(1,833,432)



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

As at 31 December 2016 (Audited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	74,158	–	92,470	166,628
– Debt securities	–	2,350,006	36,478	2,386,484
– Investment funds	129,190	–	–	129,190
– Asset backed securities	–	–	50,190	50,190
<hr/>				
Available-for-sale financial assets				
– Equity securities	506,004	43,950	–	549,954
– Investment funds	54,711	43,819	–	98,530
– Collective asset management schemes	–	–	267,119	267,119
– Other equity investment	–	554,197	–	554,197
– Debt instrument	–	–	72,305	72,305
<hr/>				
	764,063	2,991,972	518,562	4,274,597
<hr/>				
Liabilities				
Derivative financial liabilities	(244)	–	–	(244)
Financial liabilities at fair value through profit or loss				
	–	–	(1,787,478)	(1,787,478)
<hr/>				
	(244)	–	(1,787,478)	(1,787,722)

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

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

(1) Financial instruments in level 1

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

(2) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

(3) Valuation methods for specific investments

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

- (a) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value. For restricted shares that are acquired during an initial public offering or a private offering of additional shares, fair values are determined using valuation techniques.
- (b) For closed-end investment funds, fair value is determined based on the closing price as at the reporting date. For open-end funds fair value is determined by trading price which is based on the net asset value as at the reporting date. For collective asset management products, fair value is determined based on the net asset value as at the reporting date.
- (c) For debt securities listed through exchanges which include government bonds, corporate bonds, convertible bonds and financial bonds, fair values are determined based on the closing price of the debt securities at the date of statements of financial position within bid-ask spread.
- (d) For debt securities traded through the inter-bank bond market and the over-the-counter ("OTC") market, including government bonds, corporate bonds, commercial papers, special financial bills, central bank bills, asset-backed securities and other fixed income debt securities, fair values are determined using valuation techniques.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

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

	Available-for-sale financial assets – Collective asset Management scheme	Available-for-sale financial assets – Debt instrument	Financial assets at fair value through profit or loss – Debt securities	Financial assets at fair value through profit or loss – Equity securities traded on stock exchanges with lock-up periods	Financial assets at fair value through profit or loss – Asset Backed Securities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Balance at 1 January 2017	267,119	72,305	36,478	92,470	50,190
Fair value change	(8,413)	8,982	(93)	(3,557)	–
Increase	6,460	–	–	–	–
Decrease	(140,775)	–	(12,745)	(88,913)	(190)
Balance at 30 June 2017	124,391	81,287	23,640	–	50,000
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under “Net investment gains”/“Impairment losses”	–	8,982	(120)	–	–



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

	Available-for-sale financial assets – Collective asset Management scheme	Available-for-sale financial assets – Debt instrument	Financial assets at fair value through profit or loss – Debt securities	Financial assets at fair value through profit or loss – Equity securities traded on stock exchanges with lock-up periods	Financial assets at fair value through profit or loss – Asset Backed Securities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Balance at 1 January 2016	58,330	220,305	307,893	172,948	20,000
Fair value change	453	-	-	(18,059)	-
Increase	37,550	-	165,000	99,998	30,000
Decrease	(1,440)	(148,000)	(242,893)	(147,005)	-
Balance at 30 June 2016	94,893	72,305	230,000	107,882	50,000
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under "Net investment gains"	-	-	-	7,884	-

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

	Financial liabilities at fair value through profit or loss
(Unaudited)	
Balance at 1 January 2017	1,787,478
Consolidation of structured entities	–
Losses recognized in profit or loss	108,910
Issue	189,033
Settlements	(251,989)
Balance at 30 June 2017	1,833,432
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under “Net investment gains”	(43,146)



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

	Financial liabilities at fair value through profit or loss
(Unaudited)	
Balance at 1 January 2016	2,794,146
Consolidation of structured entities	87,515
Losses recognized in profit or loss	(39,296)
Issue	426,715
Settlements	(417,022)
Balance at 30 June 2016	2,852,058
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under "Net investment gains"	22,752

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Debt Securities	Level 3	<ul style="list-style-type: none"> Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of counterparty. 	<ul style="list-style-type: none"> Expected future cash flow. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
Financial assets at fair value through profit or loss – Asset backed securities	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flow. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
Financial assets at fair value through profit or loss – Equity securities traded on stock exchanges with lock-up periods	Level 3	<ul style="list-style-type: none"> Calculated based on the fair value of the listed shares with lock up periods which is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability. 	<ul style="list-style-type: none"> Discount rates that correspond to lack of marketability. 	<ul style="list-style-type: none"> The lower the discount rate, the higher the fair value.
Financial liabilities designated at fair value through profit or loss	Level 3	<ul style="list-style-type: none"> Calculated based on the fair value of the underlying investments with fair value hierarchy categorized as level 3 for which an adjustment or discount for lack of marketability is applied. 	<ul style="list-style-type: none"> Expected fair value of the underlying investments. Discount rates that correspond to lack of marketability. 	<ul style="list-style-type: none"> The higher the fair value of the underlying investments, the higher the fair value.



Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

38 Fair value of financial assets and liabilities (continued)

38.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Available-for-sale financial assets – Debt instrument	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flow. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
Available-for-sale financial assets – Collective asset management scheme	Level 3	<ul style="list-style-type: none"> Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability. 	<ul style="list-style-type: none"> Expected fair value of the underlying investments. Discount rates that correspond to lack of marketability. 	<ul style="list-style-type: none"> The higher the fair value of the underlying investments, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Condensed Consolidated Financial Statements

(All amounts in RMB'000 unless otherwise stated)

39 Events after the end of the reporting period

(1) Acquisition of the remaining 33.3% equity interest in a non-wholly owned subsidiary

On 6 July 2017, the Company entered into the Equity Transfer Agreement with The Royal Bank of Scotland plc (“RBS”), pursuant to which, the Company has agreed to acquire, and RBS has agreed to sell, 33.3% of the equity interest in Hua Ying Securities Co., Ltd. (“Hua Ying Securities”)

On 30 June 2017, Hua Ying Securities is a non-wholly owned subsidiary of the Company and held as to 66.7% by the Company and 33.3% by RBS. Upon completion of the Company’s acquisition of the 33.3% equity interest in Hua Ying Securities from RBS, Hua Ying Securities will become a wholly-owned subsidiary of the Company. The consideration for the Acquisition is RMB354 million, and the consideration shall be paid by the Company in cash from its owned funds.

(2) Issue of short-term corporate bonds

On 10 July 2017, the Company issued RMB500,000 thousand of short-term corporate bonds on Shanghai Stock Exchange. The bond bears interests at 5.00% per annum and the term is 9 months.

(3) Approval and publicly issue of corporate bonds

On 4 August 2017, the Company received the “Reply in relation to the Approval for the Public Issue of Corporate Bonds to Qualified Investors by Guolian Securities Co., Ltd.” (Zheng Jian Xu Ke [2017] No. 1381) document from China Securities Regulatory Commission (the “CSRC”). According to such reply, the Company was approved to publicly issue the corporate bonds to qualified investors with an aggregate face value of not more than RMB3 billion. The corporate bonds shall be issued by tranches. The initial issuance shall be completed within 12 months from the date of the approval. The issuance of the remaining tranches of the bonds shall be completed within 24 months from the date of the approval.

On 24 August 2017, the Company publicly issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange. The bond bears interests at 5.00% per annum and the term is 3 years.

40 Comparative figures

Certain comparative figures have been restated to conform to the current interim period’s presentation.

