



國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.

2017 INTERIM REPORT

國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.
(A joint stock company incorporated in the
People's Republic of China with limited liability)

GUOTAI JUNAN

Important Notice

The Board, the supervisory committee, directors, supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the contents in this interim report (the “**Report**”) and there is no misrepresentation, misleading statement or material omission from the Report and severally and jointly accept legal responsibilities thereof.

This Report was duly considered and approved at the fifth meeting of the fifth session of the Board in accordance with the relevant laws. Saved as the absent directors disclosed in the table below, all other directors of the Company attended such Board meeting. All absent directors for such Board meeting authorized other directors of the Company to attend and vote at such Board meeting. None of the Company’s directors raised any objection to this Report.

The Absent Directors

Positions held by the absent directors	Names of the absent directors	Reasons given by the absent directors	Names of proxies
Executive Director	WANG Song	Business engagement	YANG Dehong
Non-executive Director	LIU Ying	Business engagement	YANG Dehong
Non-executive Director	WANG Yongjian	Business engagement	XIANG Dong

The interim condensed consolidated financial statements is unaudited. The 2017 interim condensed consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards have been reviewed by Ernst & Young.

YANG Dehong, the person in charge of the Company, and XIE Lebin, the person in charge of accounting affairs and the person in charge of the accounting department (head of the accounting department) of the Company, warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2017.

Forward-looking statements included in this Report, including future plans and development strategies, do not constitute a substantial commitment of the Company to investors. Investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

There was no appropriation of funds on a non-operating basis by the Company’s controlling shareholders or their related parties.

The Company has not provided any external guarantees in violation of the prescribed decision-making procedures.

The risks faced by the Company in its operations mainly include market risk, credit risk, liquidity risk and operational risk. The Company has established an effective internal control system, compliance management system and a dynamic regulatory system based on risk control indicators to ensure that the operations of the Company are conducted within an extent of predictable, controllable and tolerable risks. Investors are advised to read the “Discussion and Analysis of Operation Condition” as set out in Section IV of this Report carefully for risks related to the operations of the Company.

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Section I Definitions

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

Definitions of frequently-used terms

CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Shanghai Bureau of the CSRC	Shanghai Office of the China Securities Regulatory Commission
SAC	Securities Association of China (中國證券業協會)
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
the Company/Company/Guotai Junan	Guotai Junan Securities Co., Ltd.
the Group/Group	Guotai Junan Securities Co., Ltd. and its subsidiaries
International Group	Shanghai International Group Co., Ltd. (上海國際集團有限公司)
Shanghai SA	Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)
Shenzhen Investment Holdings	Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司)
Shanghai Trust	Shanghai International Trust Co., Ltd. (上海國際信託有限公司)
Guotai Junan Asset Management	Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司)
Guotai Junan Futures	Guotai Junan Futures Co., Limited (國泰君安期貨有限公司)
Guotai Junan Financial Holdings	Guotai Junan Financial Holdings Co., Ltd. (國泰君安金融控股有限公司)
Hong Kong Companies	Guotai Junan Financial Holdings Co., Ltd. and its controlled subsidiaries

Section I Definitions

Guotai Junan International	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) (stock code: 1788), controlled by Guotai Junan Financial Holdings Co., Ltd. and a public company listed on the Hong Kong Stock Exchange
Guotai Junan Innovation Investment	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司)
GTJA Allianz Funds	GTJA Allianz Funds Management Co., Ltd. (國聯安基金管理有限公司)
Shanghai Securities	Shanghai Securities Co., Ltd. (上海證券有限責任公司)
Hicend Futures	Hicend Futures Co., Ltd. (海證期貨有限公司)
Guoxiang Properties	Shanghai Guoxiang Properties Co., Ltd. (上海國翔置業有限公司)
Haiji Securities	Haiji Securities Co., Ltd. (海際證券有限責任公司)
HuaAn Funds	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司)
CIFM	China International Fund Management Co., Ltd. (上投摩根基金管理有限公司)
SPD Bank	Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司)
Shanghai Rural Commercial Bank	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司)
Convertible Bonds	the convertible corporate bonds (which can be converted into the Company's A Shares) amounting to RMB7 billion issued by the Company on 7 July 2017 and listed on SSE on 24 July 2017
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified otherwise from time to time
ABS	Asset-backed Securities

Section I Definitions

A Shares	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and are traded in RMB
H Shares	overseas listed foreign shares of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
FICC	Fixed income, currencies and commodities
PB	Prime Broker
Reporting Period	the first half of 2017
Yuan	RMB Yuan
HK\$	Hong Kong dollars
the PRC	the People's Republic of China

Section II Company Profile and Key Financial Indicators

I. PROFILE

Name in Chinese	國泰君安證券股份有限公司
Abbreviation in Chinese	國泰君安、國泰君安證券
Name in English	Guotai Junan Securities Co.,Ltd.
Abbreviation in English	GTJA, Guotai Junan Securities
Legal Representative	YANG Dehong
President	WANG Song
Authorized Representatives	YANG Dehong, YU Jian
Joint Company Secretaries	YU Jian, KWONG Yin Ping Yvonne

Registered Capital and Net Capital

	<i>Unit: RMB'000</i>	
	At the end of the Reporting Period	At the end of the last year
Registered Capital	7,625,000	7,625,000
Net Capital	<u>96,640,233</u>	<u>80,338,196</u>

Note: In April 2017, the Company issued 1,040,000,000 H Shares and was listed on the Hong Kong Stock Exchange. In May 2017, the Company issued additional 48,933,800 H Shares. Thus, the Company's total capital increased to 8,713,933,800 shares. As of the release date of the Report, the Company is applying for the registration change of the registered capital.

Section II Company Profile and Key Financial Indicators

Business Qualifications for Each Individual Business of the Company

1. Individual Business Qualifications of the Company

No.	Approval Department	Qualification Name/Membership
1	The People's Bank of China	Interbank Borrowing Qualification (Yin Huo Zheng [2000] No. 122, Yin Zong Bu Han [2016] No. 22) First-class Dealer for Open Market Operations (Yin Huo Zheng [2004] No. 1, Open Market Operations Announcement [2016] No. 3) Interbank Bonds Market Maker (Yin Fa [2004] No. 157) Free Trade Accounting Business (August 2015)
2	CSRC and its local branches	Operation license of securities businesses: securities brokerage; securities investment advisory; securities transaction and securities investment related financial advisory; securities underwriting and sponsoring; securities proprietary trading; margin financing and securities lending; agency sale of securities investment fund; agency sale of financial products; stock option market making. (Number: 10270000) Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No. 3) Entrusted Investment Management Business (Zheng Jian Ji Gou Zi [2002] No. 149) Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2002] No. 31) Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 124, Hu Zheng Jian Ji Gou Zi [2010] No. 103) Participating in Stock Index Futures Transaction (Hu Zheng Jian Ji Gou Zi [2010] No. 253) Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2011] No. 573, Shang Zheng Han [2013] No. 257) Agreed Repurchase Securities Trading Business (Ji Gou Bu Bu Han [2012] No. 250) Integrated Financial Services (Ji Gou Bu Bu Han [2012] No. 555)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
		Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2013] No.311) Agency Sale of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No. 56) Comprehensive Custody Pilot Business for Private Equity Funds (Ji Gou Bu Bu Han [2013] No.173) Pilot of Agency Services for Gold and Other Precious Metal Spot Contracts and Proprietary Business for Gold Spot Contracts (Ji Gou Bu Bu Han [2014] No. 121) Qualification for Securities Investment Fund Custody Business (Zheng Jian Xu Ke [2014] No. 511) Foreign Exchange Business such as Proprietary Foreign Exchange Trading and Foreign Exchange Settlement and Sale on behalf of Customers, Proprietary Foreign Exchange Trading and Foreign Exchange Trading on behalf of Customers (Letter No. [2014]1614 of the Institutions Supervision Department for Securities Fund) Stock Options Market Making Business (Zheng Jian Xu Ke [2015] No. 154) Proprietary Participation in Carbon Emissions Trading (Ji Gou Bu Han [2015] No. 862)
3	Securities Association of China	Qualification for Participating in Related Innovation Activities (February 2005) Quotation Transfer Business (Zhong Zheng Xie [2006] No. 3) Pilot of Underwriting Business of SME Private Placement Bonds (Zhong Zheng Xie Han [2012] No. 378) OTC Trading Business (Zhong Zheng Xie Han [2012] No. 825) Financial Derivatives Business (Zhong Zheng Xie Han [2013] No. 1224) Internet Securities Business (Zhong Zheng Xie Han [2014] No. 155)
4	China Securities Depository and Clearing Corporation Limited	Agency Registration Business (April 2002) Clearing Participant (China Clearing Office [2006] No. 67) Class A Clearing Participant (China Clearing Office [2008] No. 24)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
5	China Securities Finance Corporation Limited	Pilot Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 116) Pilot Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 45)
6	Shanghai Stock Exchange/ Shenzhen Stock Exchange	Treasury Bonds Outright Repo Business (December 2004) Carrying out the Business of "SSE Fund Connect (上證基金通)" (July 2005) First-class Dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (March 2006) Trader of Integrated Electronic Platform for Fixed Income Securities (Shang Zheng Hui Han [2007] No.90) Qualified Investor of Block Trade System (No.A00001) Stock Pledge Repo Business (Shang Zheng Hui Zi [2013] No. 64, Shen Zheng Hui [2013] No. 58) Southbound Business (Shang Zheng Han [2014] No. 654) Participant for Trading of Stock Options (Shang Zheng Han [2015] No. 66) Trading Authorization for Southbound under Shenzhen-Hong Kong Stock Connect (Shen Zheng Hui [2016] No. 326)
7	State Administration of Foreign Exchange	Securities Brokerage and Underwriting Business of Foreign Currency (Hui Zi Zi No. SC201221) Transactions of Spot Sale and Purchase of Foreign Exchange and RMB and Foreign Exchange Related Derivative Business (Hui Fu [2014] No. 325) Filling for Businesses, such as Quanto Product Settlement and Sale, Foreign Exchange Settlement and Sale for QFII Custody Customer, Foreign Exchange Trading on behalf of Customers (Hui Zong Bian Han [2016] No. 505)
8	National Association of Financial Market Institutional Investors	Main Underwriting Business of Debt Financing Instruments for Non-financial Businesses (Announcement of National Association of Financial Market Institutional Investors [2012] No. 19)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
9	Shanghai Gold Exchange	Special Membership Qualification International Membership (Class A) Qualification (Certificate No: IM0046) Interbank Gold Price Inquiries Business
10	National Equities Exchange and Quotations	Sponsoring Broker-dealers Market Making Business (Gu Zhuan Xi Tong Han [2014] No. 706)
11	China Foreign Exchange Trading Center	China Interbank FX Market Membership (Zhong Hui Jiao Fa [2015] No. 3) China Interbank FX Market Derivatives Membership (Zhong Hui Jiao Fa [2015] No. 59)
12	Interbank Market Clearing House Company Limited	Central Clearing Transaction of Shipping and Commodities Derivatives (Zhun Zi [2015] No. 016 for Membership of Clearing House)

2. Individual Business Qualifications of the Controlled Subsidiaries

No.	Name of Subsidiary	Qualification Name/Membership
1	Hong Kong Companies	Type 1 (dealing in securities) Type 2 (dealing in futures contracts) Type 3 (leveraged foreign exchange trading) Type 4 (advising on securities) Type 5 (advising on futures contracts) Type 6 (advising on corporate finance) Type 9 (asset management) Exchange Participant Certificate and Exchange Trading Right Certificate issued by Hong Kong Stock Exchange Market-maker Permit for Securities (Exchange-Traded Funds) issued by Hong Kong Stock Exchange Exchange Participant Certificate and Exchange Trading Right Certificate issued by Hong Kong Futures Exchange Limited Participant Certificate of Future Clearing Company issued by HKFE Clearing Corporation Limited Money Lender License issued by Hong Kong Companies Registry Principal Intermediary Qualification issued by the Hong Kong Mandatory Provident Fund Schemes Authority RMB Qualified Overseas Institutional Investors

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
		Qualified Overseas Institutional Investors Membership Certificate Issued by the Hong Kong Confederation of Insurance Brokers Registered Fund Management Company Qualification Issued by Monetary Authority of Singapore Financial Adviser's License issued by Monetary Authority of Singapore
2	Guotai Junan Asset Management	Operation permit of securities business: securities asset management business. (Number: 10278001) Qualified Domestic Institutional Investor Participating in Administration of Overseas Securities Investment (Zheng Jian Ji Gou Zi [2010] No. 631) Asset Management Business Participating in the Trading of Stock Index Futures (Hu Zheng Jian Ji Gou Zi [2011] No. 38) Pilot of Cash Management Products Pilot (Zheng Jian Xu Ke [2012] No. 828)
3	Guotai Junan Futures and its subsidiaries	Permit for Securities and Futures Operation Business (No.913100001000207111) Comprehensive Settlement Business for Financial Futures (Zheng Jian Qi Huo Zi [2007] No. 148) Qualification for futures investment consulting business (Zheng Jian Xu Ke [2011] No. 1449) Asset Management Business (Zheng Jian Xu Ke [2012] No. 1506) Financing Contracts Services, Basis Trading, Cooperation Hedge, Pricing Services (Zhong Qi Xie Bei Zi [2015] No. 67)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
4	Shanghai Securities and its subsidiaries	<p>Operation permit of securities businesses; securities brokerage; securities investment advisory; securities transaction and securities investment activities related financial advisory; securities (excluding stocks, corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; margin financing and securities lending; securities investment fund agency sales; agency sales of financial products; (Number: 10710000)</p> <p>Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No. 8)</p> <p>Entrusted Investment Management Business (Zheng Jian Ji Gou Zi [2002] No. 203)</p> <p>Interbank Borrowings Business (Yin Fu [2003] No. 68, Yin Zong Bu Han [2013] No. 79)</p> <p>Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2004] No. 74)</p> <p>SSE Treasury Bonds Outright Repo Business (December 2004)</p> <p>Clearing Participant of China Securities Depository and Clearing Corporation Limited (China Clearing Office [2006] No. 61)</p> <p>Class A Clearing Participant of China Securities Depository and Clearing Corporation Limited (February 2008)</p> <p>Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 1039, Hu Zheng Jian Ji Gou Zi [2010] No. 133)</p> <p>Qualification for Participating in Related Innovation Activities (December 2005)</p> <p>No Objection Letter on Implementation of Broker system by Shanghai Securities (Zheng Jian Ji Gou Zi [2009] No. 260)</p> <p>Pilot of Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2012] No. 596)</p> <p>Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2012] No. 621)</p> <p>Foreign Currency Securities Brokerage Business (Hui Zi No. SC201211)</p> <p>Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 25)</p>

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
		<p>Agreed Repurchase Securities Trading Entitlement (Shang Zheng Hui Zi [2013] No. 22, Shen Zheng Hui [2013] No. 15)</p> <p>Stock Collateral Repo Trading Entitlement (Shang Zheng Hui Zi [2013] No.137, Shen Zheng Hui [2013] No. 73)</p> <p>Agency Sale of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No. 19)</p> <p>Engaging in Recommended Business and Brokerage Business on the National Equities Exchange and Quotations System (Gu Zhuan Xi Tong Han [2013] No. 80)</p> <p>Engaging in Market Making Business on the National Equities Exchange and Quotations (Gu Zhuan Xi Tong Han [2014] No. 724)</p> <p>Qualification for participant of the Trader Quote Requests and Market Maker Quote Mechanisms (business entitlement: investment, agency transaction, innovation and design, recommendation, exhibition)</p> <p>Business for Hong Kong Stock Connect (Shang Zheng Hui Han [2014] No. 367)</p> <p>Trading Authorization for Hong Kong Stock Connect under Shenzhen-Hong Kong Stock Connect (Shen Zheng Hui [2016] No. 330)</p> <p>Participant of Stock Option Trading of Shanghai Stock Exchange (Shang Zheng Han [2015] No. 78)</p> <p>Qualification for Stock Option Business of Shenzhen Stock Exchange (Shen Qi Quan Han [2015] Mo No. 66)</p> <p>Option Settlement Business of China Securities Depository and Clearing Corporation Limited (China Clearing Office [2015] No. 51)</p> <p>Operation Permit of Futures Business: commodity futures brokerage, financial futures brokerage, futures investment consulting (Number: 31390000)</p> <p>Asset Management Business (Zhong Qi Xie Bei Zi [2015] No. 5)</p>
5	GTJA Allianz Funds	<p>Qualification for Fund Management (Number: A024)</p> <p>Asset Management Business for Specific Clients (Zheng Jian Xu Ke [2011] No. 2106)</p> <p>Qualification for Entrusted Management of Insurance Fund for Investment Manager</p>

Section II Company Profile and Key Financial Indicators

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities Affairs Representative
Name	Yu Jian	Liang Jing
Contact address	29/F, 168 Middle Yincheng Road, Pudong New District, Shanghai	29/F, 168 Middle Yincheng Road, Pudong New District, Shanghai
Telephone	021-38676798	021-38676798
Facsimile	021-38670798	021-38670798
E-mail	dshbgs@gtjas.com	dshbgs@gtjas.com

III. CHANGE IN BASIC INFORMATION

Registered address of the Company	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC
Postal codes of registered address of the Company	200120
Office address of the Company	168 Middle Yincheng Road, Pudong New District, Shanghai
Postal codes of office address of the Company	200120
Principal place of business in Hong Kong	18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Company website	http://www.gtja.com/
Email	dshbgs@gtjas.com
Query index of changes during the Reporting Period	N/A

IV. INFORMATION DISCLOSURE AND UPDATE ON LOCATION FOR INSPECTION OF DOCUMENTS

Name of newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of interim report	http://www.sse.com.cn/
Website designated by the Hong Kong Stock Exchange for publication of interim report	http://www.hkexnews.hk/
Location for inspection of interim report of the Company	No. 168 Middle Yincheng Road, Pudong New District, Shanghai
Query index of changes during the Reporting Period	N/A

Section II Company Profile and Key Financial Indicators

V. SHARES OF THE COMPANY

Type of share	Listing venue	Stock name	Stock code	Stock name before change
A Share	Shanghai Stock Exchange	国泰君安	601211	N/A
H Share	Hong Kong Stock Exchange	GTJA	02611	N/A

VI. OTHER RELEVANT INFORMATION

Sponsor performing the continuous supervision duty during the Reporting Period	Name	Essence Securities Co., Ltd.
	Office address	35F, Anlian Mansion, No. 4018, Jintian Road, Futian District, Shenzhen
Domestic accountant engaged by the Company	Name	Ernst & Young Hua Ming LLP
	Office address:	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Overseas accountant engaged by the Company	Name	Ernst & Young
	Office address:	22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Domestic legal advisor	Haiwen & Partners	
Hong Kong legal advisor	Freshfields Bruckhaus Deringer	
A Share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation Limited	
H Share Registrar	Computershare Hong Kong Investor Services Limited	

Section II Company Profile and Key Financial Indicators

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(Unless otherwise specified, the accounting data and financial indicators set out in this Report have been prepared in accordance with the International Financial Reporting Standards)

(I) Key accounting data

Key accounting data	<i>Unit: RMB'000</i>		
	January to June 2017	January to June 2016	Movement during the Reporting Period compared with the corresponding period of last year (%)
Total revenue and other income	15,855,467	19,384,262	-18.20
Operating profit	6,650,790	8,025,428	-17.13
Profit before income tax	6,665,776	8,076,625	-17.47
Profit for the period attributable to equity holders of the Company	4,756,266	5,020,165	-5.26
Net cash generated from/(used in) operating activities	-11,945,139	6,903,141	-273.04
Basic earnings per share (RMB/share) ^{Note 1}	0.56	0.62	-9.68
Diluted earnings per share (RMB/share) ^{Note 1}	0.56	0.62	-9.68
Weighted average return on net assets (%) ^{Note 1}	4.66	5.48	Decreasing by 0.82 percentage point

Section II Company Profile and Key Financial Indicators

	30 June 2017	31 December 2016	Movement at the end of the Reporting Period compared with the end of last year (%)
Total assets	404,726,304	411,749,042	-1.71
Total liabilities	276,961,253	300,997,320	-7.99
Equity attributable to equity holders of the Company	116,920,166	99,964,418	16.96
Share capital	8,713,934	7,625,000	14.28
Net assets per share attributable to equity holder of the Company (RMB/share)	13.42	13.11	2.36
Gearing ratio (%) ^{Note 2}	58.16	61.66	Decreasing by 3.50 percentage points

Note 1: return on net assets and earnings per share are calculated according to requirements of the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share.

Note 2: in the gearing ratio, assets and liabilities exclude the effects of accounts payable to brokerage customers, proceeds from underwriting securities received on behalf of customers and futures margin payable.

Section II Company Profile and Key Financial Indicators

(II) Net capital and risk control indicators of the parent company

Item	Unit: RMB'000	
	At the end of the Reporting Period	At the end of last year
Net capital	96,640,233	80,338,196
Net assets	106,304,373	90,226,171
Risk coverage ratio (%)	368.95	313.10
Capital leverage ratio (%)	31.51	26.53
Liquidity coverage ratio (%)	361.67	180.03
Net stable funding ratio (%)	150.60	127.17
Net capital/Net assets (%)	90.91	89.04
Net capital/liabilities (%)	70.36	56.80
Net assets/liabilities (%)	77.40	63.79
Equity securities and derivatives held/Net capital (%)	24.98	32.23
Non-equity securities and derivatives held/Net capital (%)	67.07	82.46

Note: the above-mentioned data is derived based on the financial information prepared in accordance with China Accounting Standards for Business Enterprises.

VIII. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

There is no difference among the net profit for January to June 2017 and January to June 2016 and the net assets as at 30 June 2017 and 31 December 2016 shown in the Company's consolidated financial statements prepared in accordance with China Accounting Standards for Business Enterprises and the consolidated financial statements prepared in accordance with International Financial Reporting Standards.

Section III Summary of Businesses of the Company

I. DESCRIPTION OF PRINCIPAL BUSINESSES, OPERATING MODEL AND INDUSTRY CONDITION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Principal businesses and operating model of the Company

Driven by customer demand, the Group established a business system including institutional finance, personal finance, investment management and international business. Specifically:

Our institutional finance business comprises investment banking and institutional investor services. Our investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and government clients. Our institutional investor services business provides prime brokerage, stock-pledged financing and securities repurchase and research services to institutional investors, and also conducts investment trading in equities, derivative financial instruments and FICC.

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

Our investment management business provides asset management and fund management services to institutions and individuals, and also includes our direct investment business.

In respect of the international business, the Group built an international business platform around Guotai Junan Financial Holdings and conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong mainly through Guotai Junan International. Meanwhile, the Group had expanded our business presence into the United States and Singapore.

The Group's operating model is mainly to center on the conducting of the aforesaid principal businesses and generate handling fees and commission income through provision of securities products and services and receive investment gains through securities investment.

Section III Summary of Businesses of the Company

(II) Description of industrial and corporate operating condition

In the first half of 2017, the SSE Composite Index rose by 2.86%, while ChinaBond Total Net Price (Total Value) Index decreased by 2.46%; the trading volume of stocks and funds transactions in SSE and SZSE was RMB56.43 trillion, representing a decrease of 18.43% compared with the same period of last year; the total financing amount of the securities market was RMB1,987.033 billion, representing a decrease of 31.92% compared with the same period of last year; at the end of June 2017, the balance of margin loans and securities lending in the market amounted to RMB879.862 billion, representing a decrease of 6.32% compared with the end of last year.

According to statistics of the SAC, in the first half of 2017, the securities industry recorded operating revenue of RMB143.696 billion, net profit of RMB55.258 billion, representing a decrease of 8.52% and 11.55%, respectively compared with the same period of last year.

In the first half of 2017, the Group recorded total revenue and other income of RMB15.855 billion, representing a decrease of 18.20% compared with the same period of last year. Among our principal businesses, the institutional finance business and the international business recorded a significant growth compared with the same period of last year. Due to the fluctuations in the securities market, revenue from the personal finance businesses decreased compared with the same period of last year. Revenue from the investment management business decreased compared with the same period of last year, mainly due to the proceeds from the disposal of equity interests in Haiji Securities in the corresponding period of last year. Excluding the impact of the proceeds from the transfer of equity interests in Haiji Securities, the Group's total revenue and other income decreased 4.68%, net profit attributable to shareholders of the parent company increased by 19.87%. For details of the Group's operation condition, please refer to "Section IV Discussion and Analysis of Operation Condition" in this Report.

The Group's business composition and income drivers for the first half of 2017

Business category	Total revenue and other income (RMB'000)	Change compared with the same period of last year (%)	Contribution to the Group's total revenue and other income (%)
Institutional finance	6,513,607	18.25	41.08
Personal finance	6,259,561	-20.20	39.48
Investment management	1,207,608	-72.07	7.62
International business	1,254,401	14.15	7.91
Others	620,290	1.79	3.91
Total	15,855,467	-18.20	100.00

Section III Summary of Businesses of the Company

II. SIGNIFICANT CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

At the end of June 2017, total assets of the Group amounted to RMB404.726 billion, representing a decrease of 1.71% compared with the beginning of the period. Among our total assets, cash and bank balances amounted to RMB17.051 billion, representing a decrease of 38.98% compared with the beginning of the period, due to the fluctuation in the balance of monetary funds under ordinary operation of the Group; cash held on behalf of brokerage customers amounted to RMB93.729 billion, representing a decrease of 11.89% compared with the beginning of the period, mainly due to the decrease in cash held on behalf of brokerage customers in the first half of 2017; margin accounts receivable amounted to RMB63.170 billion, representing a decrease of 8.31% compared with the beginning of the period, mainly due to the decrease in margin loans and securities lending in the market in the first half of 2017; financial assets at fair value through profit or loss amounted to RMB83.825 billion, representing an increase of 9.26% compared with the beginning of the period; available-for-sale financial assets amounted to RMB35.875 billion, representing a decrease of 11.38% compared with the beginning of the period, mainly due to the adjustment by the Group of the trading and investment structure having regard to the market conditions; financial assets held under resale agreements amounted to RMB83.756 billion, representing an increase of 32.50% compared with the beginning of the period, mainly due to the growth of the Group's stock pledge business.

Of which: offshore assets amounted to RMB45.326 billion and accounted for 11.20% of our total assets.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as a comprehensive industry leader. The Group's core competency can be embodied in the following three aspects:

(I) Deeply rooted culture of risk management and excellence

Since the inception, the Group has developed the operation philosophy and corporate culture of implementing reform and innovation and striving for progress, which propelled the long-term consistent and across-the-board development of the Group. In recent years, the Group actively practices the "Guotai Junan Consensus", thereby further enhancing our cohesiveness and culture recognition.

Section III Summary of Businesses of the Company

The Group firmly believes that risk management is the core competency of securities companies. We have established a comprehensive and effective risk management and internal control system and use advanced risk management tools and technologies to manage overall risk exposures in a proactive way. During the Reporting Period, the Group continued to promote the development of a comprehensive risk management system. The Group strengthened the risk management of its subsidiaries, propelled account consolidation management, enhanced fine-tuned management and intelligent risk management and further improved the compliance and risk control system. A comprehensive, effective and increasingly improved risk management and internal control system enables the Group to attain the regulatory rating of Class A Grade AA from the CSRC for ten consecutive years.

In pursuit of excellence, the Group endeavors to select the best talents to provide the best services for customers. The Group has established a sound talent cultivation system to provide employees with favorable professional development paths and marketization incentive mechanisms to maximize teamwork and inherit corporate culture. During the Reporting Period, the Group formulated and implemented the “Pilot Implementation Scheme for the Remuneration Policy Reform of Professional Managers”, which covers all professional rankings at the headquarters and further improved the remuneration and performance management system. Meanwhile, the Group has established and improved the service system for retail customers and corporate and institutional customers and aims to enhance customer stickiness and expand customer base through high-quality customer services. At the end of the Reporting Period, the Group’s personal financial accounts reached 10.34 million, increasing by 14% compared with the end of last year.

(II) Across-the-board leader in the PRC capital market

As a consistent leader in terms of business scale, we have strong profitability and always rank top in the industry in terms of profit. From 2007 to 2016, the Group’s net profit ranked among the top three in the industry. From 2011 to 2016, the Group’s operating revenue and total assets ranked among the top three in the industry for six consecutive years. In April 2017, the Company successfully issued H shares and was listed on the Hong Kong Stock Exchange, which further enhanced the Group’s comprehensive competitiveness. In the first half of 2017, both the Company’s operating revenue and net profit ranked second in the industry. At the end of the Reporting Period, the Company’s total assets, net assets and net capital ranked third, second and first in the industry, respectively.

Section III Summary of Businesses of the Company

The Group has a comprehensive and balanced combination of businesses and its principal businesses rank top in the industry. During the Reporting Period, the Group saw continuous development of all of its principal businesses and stable improvement in integrated financial services capabilities. In respect of the institutional finance business, the Company's securities underwritten amount ranked third in the industry and equity underwritten amount ranked second in the industry; margin loans for stock-pledged financing ranked second in the industry. In respect of personal finance, the Company's net revenue from securities brokerage business (including seat leasing) ranked first in the industry, net revenue from financial product brokerage business ranked first in the industry, cumulative amount of futures trading by Guotai Junan Futures at China Financial Futures Exchange ranked third in the industry and the balance of margin loans and securities lending ranked second in the industry. In respect of investment management, commissioned funds of the asset management business ranked third in the industry and monthly average balance of assets under discretionary management ranked third in the industry.

(III) Pioneer of Technology and Innovation in the PRC Securities Industry

The Group makes strategic investments in IT and continuously promotes proprietary IT innovation. The Group is a frontrunner in the application of IT in the securities industry. The Group is the first securities company in the industry which implements centralized trading, centralized risk control and centralized financial management. In 2014, the Group established a new data center, which is the only high grade, high capacity and independent data center park in the securities industry. During the Reporting Period, the Group realized the full life cycle digital of IT, continuously propelled the establishment of an intelligent Internet platform, expanded the business and product function coverage of the Jun Hong APP and further enhanced our customer service capability. At the end of the Reporting Period, the number of users of our mobile APP exceeded 16.50 million and the number of monthly active users ranked second in the industry.

The Group has outstanding innovation capability and is one of the frontrunners in industry innovation. The Group can respond quickly in key innovative business fields such as asset management, margin financing and securities lending, stock-pledged financing, asset custodian and FICC, and can maintain the industry-leading position. Strong innovation capabilities enable the Group to continue to proactively introduce innovative products and services to establish differentiated competitive advantages. Since 2017, the FICC-centered integrated financial dealing business chain was basically established, with all business functions being basically available. The "integrated finance innovation project for prime brokers along the cross-border whole business chain" won the financial innovation award in Shanghai for 2016. The Group became one of the first companies to obtain the Bond Connect market-maker qualification. During the Reporting Period, the contribution of innovative businesses to revenue was up to 42.08%.

Note: all financial indicator rankings are derived based on the financial information prepared in accordance with China Accounting Standards for Business Enterprises. Same as below.

Section IV Discussion and Analysis of Operation Condition

I. DISCUSSION AND ANALYSIS OF OPERATION CONDITION

(I) Overall operation condition

In the first half of 2017, the Group achieved sound business performance by fully implementing its strategic plan, enhancing the risk and compliance management and steadily pushing forward various management works. In respect of strategy implementation, the Company established and improved the “A+H” international capital structure by completing the issuance and listing of H Shares and Convertible Bonds in April and July 2017, thereby significantly improving its capital strengths. In respect of business expansion, the Group exerted its comprehensive advantages and synergies to stably propel the normal development of all businesses, constantly enrich the multi-layer service system for retail customers, started the launch of the integrated service system proposals for corporate and institutional customers, optimized the layout of the investment management business and made important progress on internationalization. Our main operating indicators continue to rank top in the industry and integrated financial service capability was stably improved. In respect of management transformation, the Group focused on the construction of the comprehensive risk management and centralized operation system and propelled account consolidation management, thus our collectivize and intelligent management was significantly improved; the Group further improved the mechanism designing of matrix management and enhanced synergetic cooperation; the Group gradually pushed forward the professional rank and remuneration reform proposal to improve talent, remuneration and performance management; the Group the full realised live cycle digital management of IT and support business development with financial technology effectively. The smooth implementation of all management transformation works laid a solid foundation for the long-term, comprehensive and healthy development of the Group. So far, the Company has attained the regulatory rating of Class A Grade AA from the CSRC for ten consecutive years. In 2017, Standard & Poor’s raised the Company’s credit rating to BBB+, while Moody’s maintained the Company’s Baa1 rating and raise the outlook of the Company to “stable”.

(II) Analysis of principal businesses

1. Institutional finance

(1) *The investment banking business*

According to statistics of Wind Info, a total of 2,105 issuers issued financing products in the securities market in the first half of 2017 with a financing amount of RMB1,987.033 billion, representing a decrease of 31.92% compared with the same period of last year.

Section IV Discussion and Analysis of Operation Condition

In the first half of 2017, the Group actively optimized its business structure of the investment banking business, strengthened the development of IPO projects by establishing key industry groups and upgrading industry capability and continued to prevent bond default risks, thereby maintaining overall competitiveness of the business. During the Reporting Period, the Group completed lead underwriting of RMB127.995 billion and secured a market share of 6.51% in the securities underwriting business, ranking third in the industry. In particular, our lead underwriting of stocks amounted to RMB31.090 billion and secured a market share of 8.06%, ranking second in the industry; asset-backed securities underwriting amounted to RMB25.674 billion, representing an increase of 113.31% compared with the same period of last year. Total financial advisory transaction amount of M&A and restructuring businesses which have been examined and reviewed by the CSRC was RMB32.210 billion, ranking first in the industry. The NEEQ business ranked first in the “Practice Quality Assessment of Chief Agency Brokers” conducted by NEEQ on a cumulative basis.

Change in the scale of the Group’s investment banking business in the first half of 2017

		Reporting Period	Corresponding period of last year
IPO	Number of lead underwritings	9	3
	Amount of lead underwritings (RMB billion)	6.568	1.437
Refinancing	Number of lead underwritings	10	16
	Amount of lead underwritings (RMB billion)	24.522	37.953
Enterprise bonds	Number of lead underwritings	7	11
	Amount of lead underwritings (RMB billion)	10.690	12.660
Corporate bonds	Number of lead underwritings	41	85
	Amount of lead underwritings (RMB billion)	24.976	90.875
Other bonds	Number of lead underwritings	80	49
	Amount of lead underwritings (RMB billion)	61.239	81.289

Source: Wind Info

Note: statistical calibers of the financing products include IPO, new issuance, placing of preferred shares, convertible bonds, exchangeable bonds, corporate bonds, enterprise bonds, short-term financing bills, medium-term notes, private placement notes, financial bonds and asset-backed securities.

Section IV Discussion and Analysis of Operation Condition

(2) Institutional investor services

1) Prime brokerage business

In the first half of 2017, the Group's prime brokerage business explored comprehensive needs from institutional investors and corporate customers and optimized the multi-layer PB trading system and the asset custodian and outsourcing operation system, which resulted in the stable growth of the number and scale of existing products and significant improvement in lean management and professional service capability. At the end of June 2017, the Group had 25,095 institutional clients, increasing by 7.66% compared with the end of 2016, and the scale of its asset custodian and outsourcing business was RMB529.010 billion, increasing by 35.16% compared with the end of last year and ranking third in the industry. In particular, assets under custody from mutual funds amounted to RMB37.796 billion and ranked first among securities companies. During the Reporting Period, the Company passed the International Auditing and Assurance Standards Board ISAE3402 review for 2016. The Company is the first securities company that has passed the ISAE3402 review for two consecutive years.

2) Trading and investment business

In the first half of 2017, the Group's trading and investment business continued to adhere to the strategy of transforming towards a low-risk and non-directional business. Being customer-demand-oriented, this business improved comprehensive trading capability, market-making and quotation capability and product innovation and designing capability, and established the FICC integrated financial trading platform to establish an industry-leading FICC business system. During the Reporting Period, we derived desirable revenue from long-term asset allocation as we stuck to the philosophy of value investment in making equity investment. Quantitative fixed income hedging and multi-strategy application of the precious metal business delivered significant benefits, the trading platform covered all categories of products and the internationalization process progressed stably. In July 2017, the Company became one of first companies to obtain the Bond Connect market-maker qualification.

3) Stock-pledged financing and securities repurchase

According to statistics of the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the outstanding repurchase balance of the stock pledging business in the market at the end of June 2017 was RMB1,510.840 billion, increasing by 17.67% compared with the end of last year.

Section IV Discussion and Analysis of Operation Condition

In the first half of 2017, the Group's stock-pledged financing and securities reappraise business continued to follow the "prudent and active" development strategy, enhanced the due diligence capability, improved risk management and control measures, optimized the business model, exerted its brand and capital strengths and actively secured high-quality customers and targeted assets, maintained healthy and orderly business development. At the end of the Reporting Period, the outstanding repurchase balance of the Group's stock pledging business was RMB84.464 billion, ranking third in the industry and increasing by 21.83% compared with the end of 2016. In particular, balance of margin loans for stock-pledged financing ranked second in the industry.

Scale of the Group's stock-pledged financing and securities repurchase business at the end of June 2017 (Unit: RMB billion)

Item	End of the Reporting Period	End of last year
Outstanding balance of the stock pledging business	84.464	69.328
Outstanding balance of securities repurchase	0.009	0.024

4) *Research business*

In the first half of 2017, the Company's research institute strengthened the establishment of the research system by enhancing research and planning capability, integrating domestic and overseas research resources and gradually establishing the Group's research brand in the international market. During the Reporting Period, we completed 2,971 research reports and held 134 themed telephone roadshows relating to macro economy, bonds, industry and the Company.

Section IV Discussion and Analysis of Operation Condition

2. Personal finance

(1) Retail brokerage business

In the first half of 2017, the Group's securities brokerage business continued to optimize the comprehensive service system for retail customers, strengthened customer eligibility management, speeded up the layout of nimble outlets, promoted sales of financial products and established an online business development model which centers on users. At the end of June 2017, the number of accounts reached 10.34 million, increasing by 14% compared with the end of last year; The Jun Hong APP, a mobile application which had approximately 16.50 million users, ranked one of the top companies in the industry in terms of both user coverage and activeness. During the Reporting Period, the Group had market share of 6.27% in stocks and funds trading, ranking second in the industry and increasing by 1.18 percentage points compared with last year. The Company's net revenue from the securities brokerage business (including seat leasing) ranked first in the industry.

Change in the scale of the Group's securities brokerage business in the first half of 2017 (Unit: RMB billion)

Item		Reporting	Corresponding
		Period	period of last year
Stocks	Trading volume	5,397.343	6,979.556
	Market share	5.19%	5.45%
Securities investment funds	Trading volume	1,673.566	275.077
	Market share	19.04%	2.64%
Spot bonds	Trading volume	148.902	128.696
	Market share	3.82%	4.41%

Source: Wind Info. Spot bonds exclude debt securities repurchase.

In the first half of 2017, Guotai Junan Futures stuck to the development concept of "making progress while ensuring stability", focused on the brokerage business, promoted overall development, strengthened synergetic cooperation and improved overall operational efficiency. During the Reporting Period, trading volume of stock index futures handled by Guotai Junan Futures ranked second in the industry, trading volume of treasury bond futures ranked third in the industry, handling fee income from agency sales ranked second in the industry and customer equity at the end of the period ranked third in the industry, and was awarded "AA" rating in the classification rating of futures companies in 2017.

Section IV Discussion and Analysis of Operation Condition

Major business indicators of Guotai Junan Futures in the first half of 2017

Item	Reporting	Corresponding
	Period	period of last year
Trading volume (RMB trillion)	5.06	7.72
Number of board lots (ten thousand)	7,512.53	16,312.41
	End of the Reporting	End of
	Period	last year
Cumulative effective accounts (number)	83,221	71,029
Customer equity at the end of the period (RMB billion)	17.707	19.512

(2) Margin financing and securities lending business

At the end of June 2017, the balance of margin loans and securities lending in the market amounted to RMB879.862 billion, decreasing by 6.32% compared with the end of last year. During the Reporting Period, the Group's margin loans and securities lending business strengthened its service offerings to institutional customers and high-net-worth customers and continuously optimized customer mix besides enhancing counter-cyclical adjustment and controlling overall business risks; reinforced the development of a multi-layer credit team to improve its professional service capability; stably advanced the margin refinancing business and prudently launched the securities lending business. At the end of June 2017, the balance of the Group's margin loans and securities lending amounted to RMB53.536 billion with a market share of 6.08%, ranking second in the industry.

Scale of margin financing and securities lending business of the Group at the end of June 2017 (Unit: RMB 100 million)

Items	At the end	At the end
	of the Reporting	of last year
	Period	
Balance of margin loans	531.83	571.95
Market value of securities lending	3.53	5.40
Balance of margin refinancing	66.98	47.43
Balance of securities refinancing	1.80	3.74

Section IV Discussion and Analysis of Operation Condition

(3) Wealth management business

In the first half of 2017, the Group continued to endeavor to transform our retail brokerage business into a wealth management-centered business and establish intelligent investment advisory platform in order to improve our integrated financial services capabilities. At the end of June 2017, the number of Jun Hong Unified Accounts reached over 5.80 million, representing an increase of 26.09% compared with the end of the last year; the number of members of Jun Hong Fortune Club (君弘財富俱樂部) reached 0.66 million, representing an increase of 5.70% compared with the end of the last year; the number of contract customers of investment consultants reached 0.123 million, representing an increase of 23.3% compared with the end of the last year. During the Reporting Period, the average size maintained by the agency sales of financial products of the Company was RMB89.2 billion with the net income from agency sales of financial products ranking first in the industry.

3. Investment management

(1) Asset management

According to the statistics of the Asset Management Association of China, as of the end of June 2017, the scale of asset management business of securities companies was 18.10 trillion in aggregate, representing an increase of 2.96% compared with the end of the last year. During the Reporting Period, Guotai Junan Asset Management drove its transforming and upgrading based on the customer's demands, improved the whole product line, full life cycle and the whole value chain business system, promoted the balanced development of the business and improved the abilities such as asset pricing and product creation and design so as to create a leading and omnipotent asset management institution in the industry. At the end of Reporting Period, the scale of asset management of Guotai Junan Asset Management was RMB896.540 billion, representing an increase of 5.92% compared with the end of the last year and ranking third in the industry, of which the scale of discretionary management products was RMB327.281 billion (representing an increase of 7.00% compared with the end of the last year), the number of continuing ABS products was 20 and its scale was RMB31.023 billion (representing an increase of 25.00% and 33.73% compared with the end of the last year respectively) and the scale of cross-border asset management business was RMB2.606 billion.

Section IV Discussion and Analysis of Operation Condition

Scale of asset management of Guotai Junan Asset Management at the end of June 2017 (Unit: RMB100 million)

Items	At the end of the Reporting Period	At the end of last year
The scale of asset management business	8,965.40	8,464.26
Including:		
The scale of targeted asset management business	7,953.32	7,392.04
The scale of collective asset management business	701.96	840.24
The scale of specialized asset management business	310.11	231.98
The scale of discretionary management business	3,272.81	3,058.61

Note: the calculation of the scale of collective asset management business is based on the net management asset.

(2) *Fund management*

In the first half of 2017, GTJA Allianz Funds continued to conduct the issuing and marketing of products through its mutual fund business with segregated accounts business gradually transforming into discretionary management. As of the end of June 2017, AUM of mutual fund business of GTJA Allianz Funds was RMB21.440 billion while the AUM of its segregated accounts was RMB6.125 billion.

(3) *Direct investment*

In the first half of 2017, Guotai Junan Innovation Investment continued to insist on the philosophy of valuable investment, further focused on strategic emerging industry such as healthcare, energy conservation and environmental protection and IT and deployed equity-related asset with high quality. At the end of Reporting Period, the cumulative committed capital of managed funds of Guotai Junan Innovation Investment increased by 50.39% compared with the end of last year and its cumulative paid-in capital increased by 23.61% compared with the end of last year.

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The overview of private equity investment business of Guotai Junan Innovation Investment for the first half of 2017

	At the end of the Reporting Period	At the end of last year
Number of managed funds (unit)	47	44
Cumulative committed capital of managed funds (RMB100 million)	343.26	228.24
Cumulative paid-in capital of managed funds (RMB100 million)	211.05	170.71
Cumulative number of investment projects (unit)	103	95
Cumulative investment project amount (RMB100 million)	126.90	121.44

The overview of principal investment business of Guotai Junan Innovation Investment for the first half of 2017

	At the end of the Reporting Period	At the end of last year
Cumulative number of investment projects (unit)	25	23
Cumulative investment amount (RMB100 million)	9.04	8.61

4. International Business

In the first half of 2017, the average daily trading volume of the Hong Kong securities market was HK\$76.0 billion, representing an increase of 12.60% compared with the same period of the last year; the total proceeds was HK\$168.6 billion, representing an increase of 16.30% compared with the same period of the last year.

In the first half of 2017, Guotai Junan International enhanced its comprehensive financial service capability by grasping the market opportunities to take a lead in corporate financing market, record a significant increase in brokerage business and achieve success in wealth management construction.

Section IV Discussion and Analysis of Operation Condition

Guotai Junan International's main income structure for the first half of 2017 (unit: HK\$'000)

	During the Reporting Period	During the same period of last year
Fee and commission income	745,313	381,993
– Brokerage	289,210	211,132
– Corporate finance	441,590	157,105
– Asset management	14,513	13,756
Income from loans and financing	641,556	633,137
Gains from financial products, market making and investments	173,089	195,771
Total revenue	1,559,958	1,210,901

(III) Analysis of Financial Statement

1 Analysis of consolidated statements of profit or loss

(1) Total revenue and other income structure

Unit: RMB'000

Items	January to June 2017		January to June 2016		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission income	5,947,007	37.51%	7,838,648	40.44%	-1,891,641	-24.13%
Interest income	5,930,887	37.41%	6,094,308	31.44%	-163,421	-2.68%
Net investment gains	3,124,555	19.71%	1,865,243	9.62%	1,259,312	67.51%
Total revenue	15,002,449	94.62%	15,798,199	81.50%	-795,750	-5.04%
Other income and gains	853,018	5.38%	3,586,063	18.50%	-2,733,045	-76.21%
Total revenue and other income	15,855,467	100.00%	19,384,262	100.00%	-3,528,795	-18.20%

In the first half of 2017, the Group's total revenue and other income amounted to RMB15.855 billion, representing a decrease of 18.20% compared with the same period of last year, among which:

Section IV Discussion and Analysis of Operation Condition

Our fee and commission income, accounting for 37.51% of the total revenue and other income, decreased by 24.13% to RMB 5.947 billion compared with the same period of last year, primarily due to decreased securities brokerage income given the low trading volume in securities market in the first half of 2017;

The net investment gains, accounting for 19.71% of the total revenue and other income, increased by 67.51% to RMB 3.125 billion compared with the same period of last year, primarily due to the increase in our proprietary trading investment gains from securities market;

The other income and gains, accounting for 5.38% of the total revenue and other income, decreased by 76.21% to RMB 0.853 billion compared with the same period of last year, primarily due to the investment gains from the disposal of equity interest in Haiji Securities in the first half of 2016.

(2) Total expenses structure

Unit: RMB'000

Items	January to June 2017		January to June 2016		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission expenses	982,820	10.68%	1,112,507	9.79%	-129,687	-11.66%
Interest expenses	3,071,645	33.37%	3,917,414	34.49%	-845,769	-21.59%
Staff costs	3,261,308	35.43%	3,907,723	34.40%	-646,415	-16.54%
Depreciation and amortization expenses	223,954	2.43%	207,834	1.83%	16,120	7.76%
Business tax and surcharges	67,908	0.74%	482,391	4.25%	-414,483	-85.92%
Other operating expenses and costs	1,377,264	14.96%	1,142,750	10.06%	234,514	20.52%
Provision for impairment losses	219,778	2.39%	588,215	5.18%	-368,437	-62.64%
Total expenses	9,204,677	100.00%	11,358,834	100.00%	-2,154,157	-18.96%

In the first half of 2017, the Group's total expenses amounted to RMB9.205 billion, representing a decrease of 18.96% compared with the same period of last year, among which:

The interest expenses, accounting for 33.37% of total expenses, decreased by 21.59% to RMB3.072 billion compared with the same period of last year, primarily due to the Group's adjusted liability structure;

Section IV Discussion and Analysis of Operation Condition

The staff costs, accounting for 35.43% of the total expenses, decreased by 16.54% to RMB3.261 billion compared with the same period of last year, primarily due to the decrease in remuneration as the total revenue decreased;

The business tax and surcharges, accounting for 0.74% of the total expenses, decreased by 85.92% to RMB68 million compared with the same period of last year, primarily because there was no business tax incurred during the period given the replacement of business taxes with value-added taxes since May 2016.

The provision for impairment losses, accounting for 2.39% of the total expenses, decreased by 62.64% to RMB220 million compared with the same period of last year, primarily due to the provision for impairment of available-for-sale financial assets in response to the fluctuation of the securities market for the current period.

2. Analysis of Consolidated Statements of Cash Flows

In the first half of 2017, the net decrease in cash and cash equivalents of the Group was RMB7.558 billion, among which:

The net cash generated from operating activities was RMB-11.945 billion, primarily resulting from negative movements in working capital, primarily reflecting (i) the increase of RMB17.169 billion in financial assets held under resale agreements, due to the development of stock-pledged financing business of the Company; (ii) the decrease of RMB13.798 billion in accounts payable to brokerage customers, due to the decrease in transactions settlement funds of clients of brokerage business; (iii) the decrease of RMB9.298 billion in other liabilities, primarily because the proceeds from the underwriting securities received on behalf of customers at the end of last year was paid during the period. These cash outflows were partially offset by (i) the decrease of RMB10.644 billion in cash held on behalf of brokerage customers, due to the decrease in transactions settlement funds of clients of brokerage business; (ii) the increase of RMB7.569 billion in financial assets sold under repurchase agreements, primarily due to increased outstanding balance of repurchases with bonds as underlying assets; (iii) profit before income tax of RMB6.666 billion.

Net cash generated from investing activities was RMB10.195 billion, primarily due to the proceeds from the disposal of available-for-sale financial assets and other investments of RMB41.756 billion, partially offset by the acquisition of available-for-sale financial assets and other investments of RMB32.761 billion, reflecting decreased investments in this type of financial assets for our adjusting the trading investment structure.

The net cash generated from financing activities was RMB-5.808 billion, primarily due to (i) repayment of debt securities issued of RMB36.324 billion; (ii) repayment of loans and borrowings of RMB15.557 billion. These cash outflows were partially offset by (i) proceeds from issuance of H Shares of RMB15.301 billion; (ii) proceeds from loans and borrowings of RMB12.997 billion; (iii) proceeds from issuance of short-term debt instruments of RMB16.058 billion.

Section IV Discussion and Analysis of Operation Condition

3. Analysis of Consolidated Statements of Financial Position

Unit: RMB'000

Items	30 June 2017		31 December 2016		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Non-current assets						
Property and equipment	3,561,980	0.88%	3,543,116	0.86%	18,864	0.53%
Prepaid land lease payments	813,942	0.20%	823,495	0.20%	-9,553	-1.16%
Goodwill	581,407	0.14%	581,407	0.14%	—	0.00%
Other intangible assets	1,398,620	0.35%	1,384,441	0.34%	14,179	1.02%
Investments in associates	429,437	0.11%	431,685	0.10%	-2,248	-0.52%
Investments in joint ventures	952,227	0.24%	829,655	0.20%	122,572	14.77%
Available-for-sale financial assets	34,348,538	8.49%	38,638,640	9.38%	-4,290,102	-11.10%
Financial assets held under resale agreements	26,488,952	6.54%	23,605,425	5.73%	2,883,527	12.22%
Financial assets at fair value through profit or loss	145,516	0.04%	46,247	0.01%	99,269	214.65%
Refundable deposits	7,481,840	1.85%	9,742,881	2.37%	-2,261,041	-23.21%
Deferred tax assets	319,371	0.08%	762,365	0.19%	-442,994	-58.11%
Other non-current assets	1,464,825	0.36%	1,669,793	0.41%	-204,968	-12.28%
Total	77,986,655	19.27%	82,059,150	19.93%	-4,072,495	-4.96%

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Items	30 June 2017		31 December 2016		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Current assets						
Accounts receivable	4,675,857	1.16%	1,891,376	0.46%	2,784,481	147.22%
Other receivables and prepayments	4,005,414	0.99%	4,503,402	1.09%	-497,988	-11.06%
Margin accounts receivable	63,169,683	15.61%	68,892,785	16.73%	-5,723,102	-8.31%
Available-for-sale financial assets	1,526,005	0.38%	1,842,582	0.45%	-316,577	-17.18%
Financial assets held under resale agreements	57,267,230	14.15%	39,605,953	9.62%	17,661,277	44.59%
Financial assets at fair value through profit or loss	83,679,279	20.68%	76,676,991	18.62%	7,002,288	9.13%
Derivative financial assets	135,740	0.03%	175,424	0.04%	-39,684	-22.62%
Clearing settlement funds	1,500,996	0.37%	1,779,380	0.43%	-278,384	-15.64%
Cash held on behalf of brokerage customers	93,728,502	23.16%	106,378,892	25.84%	-12,650,390	-11.89%
Cash and bank balances	17,050,943	4.21%	27,943,107	6.79%	-10,892,164	-38.98%
Total	326,739,649	80.73%	329,689,892	80.07%	-2,950,243	-0.89%
Total assets	404,726,304	100.00%	411,749,042	100.00%	-7,022,738	-1.71%

Section IV Discussion and Analysis of Operation Condition

Items	30 June 2017		31 December 2016		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Current liabilities						
Loans and borrowings	6,533,972	2.36%	6,262,230	2.08%	271,742	4.34%
Short-term debt instruments	12,284,840	4.44%	14,847,586	4.93%	-2,562,746	-17.26%
Placements from other financial institutions	7,550,000	2.73%	4,700,000	1.56%	2,850,000	60.64%
Accounts payable to brokerage customers	99,158,566	35.80%	112,956,690	37.53%	-13,798,124	-12.22%
Employee benefits payable	5,023,649	1.81%	6,269,165	2.08%	-1,245,516	-19.87%
Income tax payable	833,662	0.30%	2,599,026	0.86%	-1,765,364	-67.92%
Financial assets sold under repurchase agreements	44,287,582	15.99%	39,691,470	13.19%	4,596,112	11.58%
Financial liabilities at fair value through profit or loss	22,194,234	8.01%	16,318,339	5.42%	5,875,895	36.01%
Derivative financial liabilities	137,305	0.05%	290,500	0.10%	-153,195	-52.73%
Bonds payable	13,737,234	4.96%	17,156,246	5.70%	-3,419,012	-19.93%
Other current liabilities	10,408,742	3.76%	18,670,688	6.20%	-8,261,946	-44.25%
Total	222,149,786	80.21%	239,761,940	79.66%	-17,612,154	-7.35%
Net current assets	104,589,863		89,927,952		14,661,911	16.30%
Non-current liabilities						
Loans and borrowings	—	0.00%	1,878,471	0.62%	-1,878,471	-100.00%
Bonds payable	48,717,655	17.59%	55,582,519	18.47%	-6,864,864	-12.35%
Employee benefits payable	622,458	0.22%	631,789	0.21%	-9,331	-1.48%
Deferred tax liabilities	87,825	0.03%	103,920	0.03%	-16,095	-15.49%
Financial assets sold under repurchase agreements	3,000,000	1.08%	26,950	0.01%	2,973,050	11031.73%
Financial liabilities at fair value through profit or loss	197,194	0.07%	197,017	0.07%	177	0.09%
Other non-current liabilities	2,186,335	0.79%	2,814,714	0.94%	-628,379	-22.32%
Total	54,811,467	19.79%	61,235,380	20.34%	-6,423,913	-10.49%
Total liabilities	276,961,253	100.00%	300,997,320	100.00%	-24,036,067	-7.99%
Total equity	127,765,051		110,751,722		17,013,329	15.36%

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As of 30 June 2017, the total assets of the Group was RMB404.726 billion, decreased by 1.71% compared with that of last year; the total liabilities was RMB276.961 billion, decreased by 7.99% compared with that of last year; the total equity was RMB127.765 billion, increased by 15.36% compared with that of last year.

The asset of the Group is mainly comprised of: cash held on behalf of brokerage customers of RMB93.729 billion (23.16% of the total assets); margin accounts receivable of RMB63.170 billion (15.61% of the total asset); financial assets at fair value through profit or loss of RMB83.825 billion (20.71% of the total asset); financial assets held under resale agreements amounting to RMB83.756 billion (20.69% of the total assets); available-for-sale financial assets of RMB35.875 billion (8.86% of the total assets), among which the current assets amounted to RMB326.740 billion and accounted for 80.73% of the total assets. The liquidity of the Group is fine with reasonable structure. In addition, the Group made impairment provision for the assets showing impairment indications under market fluctuation, therefore the assets are with relatively high quality.

Non-current assets

As of 30 June 2017, our non-current assets was RMB77.987 billion with a decrease of 4.96% compared with the end of last year, primarily due to the decrease in the available-for-sale financial assets and refundable deposits mainly as the Group's adjusting the trading investment structure according to the market condition.

Current assets

As of 30 June 2017, our current assets was RMB326.740 billion with a decrease of 0.89% compared with that of last year. Among the current assets, the margin accounts receivable was RMB63.170 billion with a decrease of 8.31% compared with the end of last year, which was primarily due to the decreased size of margin financing and securities lending business given the securities market condition; the financial assets held under resale agreements was RMB57.267 billion with an increase of 44.59% compared with the end of last year, which was primarily due to the growth in our stock-pledged financing business; financial assets at fair value through profit or loss was RMB83.679 billion with an increase of 9.13% compared with the end of last year, primarily because the Group adjusted its trading investment structure according to the market condition; cash held on behalf of brokerage customers was RMB93.729 billion with a decrease of 11.89% compared with the end of last year, primarily due to the decrease in the transaction settlement funds of brokerage business customer primarily for the impact from market conditions.

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Current liabilities

As of 30 June 2017, our current liabilities was RMB222.150 billion with a decrease of 7.35% compared with the end of last year. Among the current liabilities, accounts payable to brokerage customers was RMB99.159 billion with a decrease of 12.22% compared with the end of last year, primarily due to the decrease in the transaction settlement funds of brokerage business customer impacted by the market conditions; the bonds payable due within one year was RMB13.737 billion with a decrease of 19.93% compared with the end of last year; other current liabilities was RMB10.409 billion with a decrease of 44.25% compared with the end of last year, which is primarily because proceeds from underwriting securities received on behalf of customers for the end of last year was paid during the period.

Non-current liabilities

As of 30 June 2017, our non-current liabilities was RMB54.811 billion with a decrease of 10.49 % compared with the end of last year, primarily due to the decrease in the bonds payable compared with the end of last year since the Company adjusted the liabilities structure; in addition, loans and borrowings repayable due also decreased the non-current liabilities.

Equity

The equity attributable to equity holders of the Company increased by RMB16.956 billion or 16.96% from the end of last year to RMB116.920 billion as of 30 June 2017, primarily due to the net proceeds of HK\$16.801 billion for the listing of the Company on the main board of the Hong Kong Stock Exchange during the Reporting Period. The gearing ratio of the Group was 58.16% as of 30 June 2017, decreased by 3.50 percentage points compared with that of last year, given the Group's reasonable and stable assets liability structure.

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4. Borrowings and debt financing

As of 30 June 2017, the total debt was 136,111 billion. Borrowings and debt financing of the Group was RMB81.273 billion, of which a detailed breakdown was as follows:

	<i>Unit: RMB'000</i>	
	30 June 2017	31 December 2016
Loans and borrowings	6,533,972	8,140,701
Short-term debt instruments	12,284,840	14,847,586
Bonds payable	62,454,889	72,738,765
Total	81,273,701	95,727,052

For the details of the interest rate and the terms of the loans and borrowings, short-term debt instruments and bonds payable, please refer to note 38, 39 and 45 of the interim condensed consolidated financial statements.

Except for the borrowings and debt financing, the Group obtained funds through placements from other financial institutions and financial assets sold under repurchase agreements. As of 30 June 2017, the placements from other financial institutions was RMB7.550 billion while the financial assets sold under repurchase agreements was RMB47.288 billion.

Except for the liabilities disclosed in this Report, the Group did not have, as of 30 June 2017, any outstanding mortgages, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, guarantees or other material contingent liabilities.

(IV) Analysis of investment condition

The overview analysis of external equity investment

As at the end of the Reporting Period, the long-term equity investment of the Group was RMB1.382 billion with an increase of RMB120 million or 9.54% compared with the end of the last year, primarily due to the increase in equity investment fund managed by Guotai Junan Innovation Investment.

As at the end of the Reporting Period, the Group obtained material equity investment and material non-equity investment, which was as follows:

(1) During the Reporting Period, there was no additional material equity investment in the Company

Section IV Discussion and Analysis of Operation Condition

(2) Material non-equity investment

Office buildings in Jingan District, Shanghai: Guoxiang Properties, a wholly-owned subsidiary of the Company, received planning permit of construction project and construction permit for pile foundation for No. 49 land lot in Jingan District on 23 June 2014 and commenced construction in June 2014. The project is expected to be completed in 3 years, with the investment budget amounting to RMB1,624 million. According to the resolution in the 2nd meeting of the 5th session of the Board in 2016, the total investment amount for this project was adjusted to RMB1.879 billion by adding another project investment of RMB255 million. The additional investment of the project was RMB100 million for the first half of 2017 while the accumulative investment of the project was RMB1.269 billion as of 30 June 2017.

(3) Financial assets measured at fair value

Unit: RMB'000

Name of Items	30 June 2017		January to June 2017		
	Initial investment cost/nominal amount	Fair value	Net amount of purchase or sale	Investment revenue	Fair value changes
Financial assets at fair value through profit or loss	81,845,872	83,824,794	7,501,521	1,646,993	-399,964
Available-for-sale financial assets	32,768,952	33,766,774	-5,589,619	1,398,578	—
Derivative financial instruments	121,320,085	-1,565	26,980,397	-79,972	35,007

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(V) Use of proceeds

The Company issued 1,040,000,000 H Shares and 48,933,800 H Shares on the Hong Kong Stock Exchange on 11 April 2017 and 9 May 2017 respectively, with the total proceeds of HK\$17.24 billion. The actual proceeds amounted to HK\$16.801 billion after deducting fees in relation to the issuance expenses.

According to the purpose set out in the section “Future Plans and Use of Proceeds” in the prospectus for the Global Offering of H Shares, approximately 30% of the proceeds received from the issuing of H Shares will be used for the development of institutional finance businesses and the improvement of integrated financial services capabilities, approximately 30% of the proceeds will be used for the development of personal finance services businesses, approximately 15% of the proceeds will be used for development of investment management business, approximately 15% of the proceeds will be used for the development of international business and approximately 10% of the proceeds will be used for additional working capital and other general corporate purposes.

As of 30 June 2017, the Company has settled and used HK\$14.281 billion for the development of institutional finance, personal finance, investment management and replenishing our working capital. The remaining proceeds of HK\$2.520 billion will continue to be used for the purpose set out in the section “Future Plans and Use of Proceeds” in the prospectus for the Global Offering of H Shares.

(VI) Analysis of main holding companies

1. Guotai Junan Financial Holdings

Guotai Junan Financial Holdings primarily conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong through Guotai Junan International and its subsidiaries.

The paid-up capital of Guotai Junan Financial Holdings is HK\$31.98 million and the Company holds 100% of its equity interests.

As of 30 June 2017, the total assets of Guotai Junan Financial Holdings was RMB45.326 billion with net assets of RMB8.414 billion; in the first half of 2017, the net profit was RMB490 million.

2. Guotai Junan Asset Management

Guotai Junan Asset Management is principally engaged in securities asset management business.

The registered capital of Guotai Junan Asset Management increased to RMB2 billion in July 2017 and the Company holds 100% of its equity interests.

As of 30 June 2017, the total assets of Guotai Junan Asset Management was RMB5.6 billion with net assets of RMB2.950 billion; in the first half of 2017, the net profit was RMB403 million.

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3. Guotai Junan Futures

Guotai Junan Futures is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consulting and investment management.

The registered capital of Guotai Junan Futures is RMB1.2 billion and the Company holds 100% of its equity interests.

As of 30 June 2017, the total assets of Guotai Junan Futures was RMB20.553 billion with net assets of RMB2.437 billion; in the first half of 2017, the net profit was RMB180 million.

4. Guotai Junan Innovation Investment

Guotai Junan Innovation Investment is principally engaged in conducting equity investments in the domestic enterprises and providing financial advisory services of direct investment to clients.

The registered capital of Guotai Junan Innovation Investment was RMB4.9 billion and the Company holds 100% of its equity interests.

As of 30 June 2017, the total assets of Guotai Junan Innovation Investment was RMB7.023 billion with net assets of RMB5.620 billion; in the first half of 2017, the net profit was RMB102 million.

5. Shanghai Securities

Shanghai Securities is principally engaged in securities brokerage; securities investment consultation; financial advisory relating to securities trading and securities investment; securities (exclusive of stocks and corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; agency sale of securities investment fund; intermediary business for futures companies; margin financing and securities lending; agency sale of financial products.

The registered capital of Shanghai Securities is RMB2.61 billion and the Company holds 51% of its equity interests.

As of 30 June 2017, the total assets of Shanghai Securities was RMB30.107 billion with net assets of RMB10.209 billion; in the first half of 2017, the net profit was RMB230 million.

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6. GTJA Allianz Funds

GTJA Allianz Funds is principally engaged in fund management business, fund formation and other business approved and permitted by relevant government authorities of China.

The registered capital of GTJA Allianz Funds was RMB150 million and the Company holds 51% of its equity interests.

As of 30 June 2017, the total assets of GTJA Allianz Funds was RMB799 million with net assets of RMB500 million; in the first half of 2017, the net profit was RMB36 million.

(VII) The situation of structured entities controlled by the Company

As of 30 June 2017, the Group consolidated 25 structured entities, which include asset management schemes and partnerships. For those asset management schemes where the Group is involved as a manager and partnerships where the Group is involved as general partner or investment manager, the Group considered that it has control rights over some asset management schemes and partnerships and incorporated them into the consolidated category after comprehensively taking into account various factors such as the investment decision rights they owned and their exposures to the variable returns. As at 30 June 2017, the impacts of the above structured entities which were incorporated into the consolidated category on the Group's consolidated total assets and consolidated net profit were RMB5.382 billion and RMB24 million, respectively.

II. OTHER DISCLOSURE EVENTS

(I) The operation plan and goals for next reporting period and the strategies and actions adopted for achieving the goals

In the second half of 2017, the Group will continue to enhance the compliance risk control as the core competency, optimize operation system, accelerate the implementation of strategic plan, promote our operation and management to a new level and keep a sustainable and stable development of the Company. Therefore, the Group will focus on works in the following three aspects: (1) implementing the development plan for private equity investment funds system and enhancing the competitiveness of buy-side business; (2) establishing and improving both service systems for retail customers and corporate and institutional clients, enhancing the comprehensive service capability; (3) improving matrix management operating mechanism and enhancing collectivize management capability.

Based on the achieving above phrased goals, the Group will continue to pragmatically promote internationalization, enhance the core competitiveness of each business and optimize medium-and-long term incentive and binding mechanisms, to form a long-term and endogenous motivation for the development of the Group and lay a solid foundation for achieving established strategic goals.

Section IV Discussion and Analysis of Operation Condition

(II) Risks Management

1. Overview

During the Reporting Period, the Company cultivated a healthy risk culture, followed the concept of “developing business in parallel with risk control”, continually established comprehensive risk management system, improved risk management system, optimized risk management organization structure, explored risk management models and methods, built up risk management information system, and enhanced the professional level of risk management, in order to ensure a long term and healthy development of the Company.

2. Risk management structure

The Company has established a four-level risk management system consisting of the Board (including risk control committee) and Supervisory Committee, operation management (including risk management committee and assets and liabilities management committee), risk management department, other business departments and branches and subsidiaries.

1) *The Board (including risk control committee) and Supervisory Committee*

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Company. The Board is responsible for promoting the construction of risk culture; reviewing and approving the fundamental risk management policies of the Company; reviewing and approving the Company’s risk appetite, risk tolerance and major risk limits; reviewing periodic risk assessment report; appointment, dismissal and assessment of the chief risk officer, determining his/her remuneration; establishing a mechanism for communicating with the chief risk officer directly. The Board has established a risk control committee, which is responsible for reviewing the overall objectives and fundamental policies of risk management; reviewing the establishment and the duties of the risk management divisions; assessing the risks associated with significant business decisions and the solutions to address significant risks which are to be reviewed by the Board; reviewing various risk assessment reports; reviewing the effectiveness of the Company and its subsidiaries’ risk management and internal control systems at least once a year in accordance with the instruction of the Board and making a report to shareholders in Corporate Governance Report declaring that relevant review has been completed.

The Supervisory Committee of the Company is responsible for supervising comprehensive risk management of the Company, supervising and reviewing the performance of the risk management and rectification of defect.

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2) *Operation management (including risk management committee and assets and liabilities management committee)*

Operation management takes the major responsibility of the comprehensive risk management of the Company; is responsible for organizing and implementing the propaganda and dissemination of risk culture; establishes risk management system and makes timely adjustment; establishes a healthy operation management structure for the Company's comprehensive risk management and clarifies the duty division of comprehensive risk management among risk management functions, business departments and other departments; establishes the specific execution plans of risk appetite, risk tolerance and major risk limits, and ensures the effective implementation of the plans; monitors its progress, analyzes its reasons in a timely manner and handles it according to the authorizations granted by the Board; periodically assesses the overall risk of the Company and various type of important risk management conditions, resolves problems that are found in risk management and reports to the Board; establishes a performance assessment system for all staff that covers effectiveness of risk management; establishes a complete IT system and data quality control mechanism.

A risk management committee is set at the operation level of the Company, conducting overall management for the Company's operational risks, and reviewing and making decisions on major issues of risk management and performing following duties: reviewing the risk management policies of the Company, annual risk appetite, the size and the maximum risk limit of proprietary trading business, and reporting to the Board and its risk management committee for approval; to the extent of the authorization of the Board, reviewing and making and approving the annual risk limits allocation plan and key risk control indicators for various types of investment businesses and adjustment items; reviewing the Company's annual business authorization and management of authorization plan, and submitting the plan to president office for approval, and reviewing and approving annual authorization adjustment items; reviewing quarterly, interim and annual risk management reports and annual economic capital execution reports of the Company; reviewing and determining the material risks solutions for major risk issues of the Company; reviewing the risks assessment reports of the Company's material innovative businesses.

The permanent members of risk management committee include president of the Company, chief risk officer, chief financial officer, head of the risk management department, head of the planning and finance department, head of the compliance department, head of the strategic management department, head of the audit department and head of the legal department, while non-permanent members include the persons in charge of the relevant businesses.

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3) *Risk management departments*

Our risk management departments include those who are specifically responsible for risk management, such as the risk management department, the compliance department, the legal department, the audit department, the securities issuance review department and execution body of risk management committee, as well as departments that perform other risk management duties, such as the planning and finance department, the IT department, the operation center and the Board office.

Our risk management department manages the market risks, credit risks, operational risks and liquidity risks of the Company, and performs specific risk management responsibilities; our compliance department is a department specialized in compliance management, which, under the lead of chief compliance officer, effectively identifies, assesses and prevents compliance risks of the Company; our legal department is a department that identifies, evaluates, notifies, monitors and reports the legal risks of the Company and effectively prevents legal risks and protects the Company from legal sanctions, significant financial losses and damages to reputation; our audit department is responsible for independent and objective inspection, supervision, evaluation of and recommendations on the compliance and reasonableness of business, management, finance and other operations, on the security and profitability of assets, and on the comprehensiveness and effectiveness of internal controls among the Company's various departments, branches and controlled subsidiaries; our securities issuance review department is responsible for the risk review and assessment for the Company's securities issuance business in primary market; our planning and finance department is responsible for the Company's budget planning, financial management, accounting, net capital management, liquidity management and liquidity risk management; our IT department is the management and operation body of the Company's IT, and is responsible for the planning, construction, operation and management of the Company's IT system, establishing and implementing IT-related system, assessing and controlling the Company's IT risks, and also responsible for the management of IT personals in branches; our operation center is the daily operation management department of the Company and is responsible for the centralized clearing, settlement, auditing, third-party depository operation and capital management of the Company's various businesses, and takes the responsibility of relevant risk management and control; our Board office is responsible for the management of the Company's reputation risk.

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4) *Other business departments and branches*

The key responsible persons of our each business lines, subsidiaries and branches are the persons who are primarily responsible for risk control of each business units. In order to enhance the frontline risk responsibility consciousness, strengthen front end risk control, identify and prevent risk timely and effectively, the Company continuously strengthens the risk control function of each specialized management committees, business departments and branches, and enhances business frontline risk control, therefore enhancing the risk management mechanism and consciousness of frontline departments and enabling them to communicate with specialized risk management departments actively and timely for risk issues of major operation matters, so that the Company can take more active and effective overall response measures, effectively improve the overall risk management level and adapt to the risk management requirement for business development.

3. Risk management system

The Company established a 4-level risk management system based on its business characteristics and level of operational risks and has been constantly perfecting it. The system includes: measures on comprehensive risk management; various risk management measures based on different risks such as market risk, credit risk, operational risk and liquidity risk; risk management system on various business and products and the practical business operation protocol. The Company amended Measures on Comprehensive Risk Management on Board level, amended Measures on Risk Appetite Management, and formulated and amended Measures on Market Risk Management, Measures on Credit Risk Management, Measures on Operational Risk Management, Measures on Liquidity Risk Management on the Company level according to types of risks, and the Company also formulated specific working rules of risk management for each department and business.

4. Risk appetite system

Risk appetite is the nature and level of risks that the Company chose to assume in order to achieve established expected earning goals, and is the basic attitude of the Company's highest decision-making level about the balance between risk and income after analyzing various risk factors exposed to the Company, which includes what kind of risks and how many risks that the Company are willing to take and by what methods.

The Company sorts out the expectation and requirement of respective interested parties (including shareholders, regulatory authorities, rating agencies, board and senior management), sets specific goals based on the six core aspects (including development strategies, operation performance, capital strength, liquidity, compliance and external rating) and forms the Company's risk appetite system. On the basis of a complete overall risk appetite setting, the Company describes the risk boundaries of different dimensions such as overall risk and major risks through quantized risk tolerance indicators. Subject to risk appetite and risk tolerance, the Company sets limits on key risk indicator and conducts risk monitor and control based on those limits.

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5. Measures against the risks

1) **Market risks**

Market risks are those may cause a loss to the Company due to unfavorable changes of market prices, which includes but not limited to the prices of equity, interest rates, commodity prices and exchange rates. The business of the Company that involve market risks mainly include the transactions of equity securities and their derivatives, the transactions of fixed-income securities and their derivatives, foreign exchange transactions, precious metal contract transactions, commodity derivatives transactions and other proprietary investments business.

The Company implements boundary management for market risks and conducts business activities involving market risks on the premise that risks are measurable, controllable and bearable. The boundaries on market risks include the business scale limits, risk limits and various risk indicators limits.

The Company selects appropriate and general accepted measure methods according to different types of market risks, measures market risks based on reasonable assumptions and parameters, and continuously monitors the effectiveness of the models through methods such as return test. The Company establishes stress test mechanism and conducts stress test on market risks timely according to its business development and changes of market, in order to assess the tolerance for risk and guide the determination and adjustment of market risk limits. The Company conducts daily monitoring for market risk limits using its risk management system and other related systems to monitor the operation of its businesses. We report relevant results of market risk monitoring and management conditions regularly or irregularly, and conduct specialized analysis on risk matters, in order to provide basic information and basis for risk management decisions of the management at relevant levels.

2) **Credit risks**

Credit risks are those that may cause a loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuers, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity. The Company's current credit risks mainly concentrate on the bond investment business, securities derivatives transactions, margin financing and securities lending business, securities repurchase business, and stock-pledged financing transaction businesses.

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The Company implements access management for credit risks. Before conducting relevant businesses including credit risks, clients' credits will be rated. If the rating result is within the accessible credit rating, the credit may be granted and business may be carried out. Before the application for rating clients' credit and granting credit, each business department shall conduct due diligence, be diligent and responsible and obtain true information of clients. As for clients whose credit rates the satisfy access conditions, the credit line shall be determined according to the particulars of clients.

The Company mitigates credit risk through methods such as deposits, qualified collaterals and netting settlements. Each business department sets detailed access standards and discount rates for collaterals according to the characteristics of their specific business. Access standards and discount rates shall be reviewed. And when there is a significant change of market or policies or there is a significant credit event related to the relevant entity applying for the credit, the access standards and discount rates shall be reviewed randomly. For collaterals other than cash, the Company conducts marking to market management and assesses collaterals' value periodically.

The Company analyzes credit risk factors of each business, identifies the credit risks for the business and conducts credit risks assessment. The Company uses analysis methods such as centralization, probability of default, default loss rate, credit exposure and collateral coverage rate as credit risk measures. The Company sets reasonable credit risk stress scenarios, conducts stress tests regularly and irregularly, analyzes the results of stress test and takes corresponding measures.

3) *Liquidity risks*

Liquidity risks are those we might face when we are not be able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation.

The Company mainly adopts the risk indicators analysis method to assess its overall liquidity risks, i.e., the Company assesses and measures its overall liquidity risk condition by analyzing key indicators such as the liquidity coverage rate, net stable funding ratio, liquidity gap ratio, liquidity ratio as well as asset and liability concentration. The Company establishes a liquidity risk limit system, conducts limit management on liquidity risks and monitors and reports the implementation of limits.

Section IV Discussion and Analysis of Operation Condition

The Company conducts situational and modeled gap analysis by using cash flow analysis. Future cash flow that may be generated in the Company's business on and off-balance sheet will be credited to cash inflow and cash outflow for the specific periods respectively. The period mismatch net amount of cash flow will be calculated accordingly in order to check the mismatch of cash flow.

The Company explores and maintains financing channels, continuously keeps an eye on the risk conditions of significant capital providers, monitors the conditions of significant capital providers' transactions with the Company and sets a trigger rate for their financing concentration and measures shall be taken when their financing concentration reaches the trigger rate. The Company concerns the changes of capital markets, assesses the ability and cost of supplementing its liquidity by issuing stocks, bonds and other financing instruments and mitigates its period mismatch by supplementing its middle-to-long term liquidity.

The Company establishes and continuously improves the contingency plan for liquidity risks, which includes taking measures such as transferring, decentralizing and reducing risks exposure to reduce the level of liquidity risks. The Company also establishes emergency response or standby systems, procedures and measures for natural disasters, system failures and other emergencies so as to reduce losses and reputation damages the Company may suffer. The contingency plan will be checked and tested regularly and emergency response arrangements will be continually updated and improved.

4) *Operational risks*

Operational risks are the possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events.

The Company establishes the self-evaluating procedure of operational risk and control. Each department and branch actively identifies operational risks in their internal system procedures, employee behaviors and IT systems to ensure that the operational risks in existing and new businesses and management are adequately assessed. The Company has also compiled a risk management manual that will guide the daily operational risk management. The Company systematically gathers and organizes the information of the events of operational risk and lost data, establishes key operational risk indicative system and monitors its process, and prepares periodical reports. In terms of significant operational risk events, it will provide specific valuation reports to ensure that management and the chief risk management officer could fully understand the operational risk situation of the Company in a timely manner, which in turn facilitates their decision making regarding the response to the risks or the initiation of contingency plans.

Section V Significant Events

I. INTRODUCTION OF GENERAL MEETING

Meeting session	Convening date	The address of the designated website for publishing resolutions	The disclosure date for publishing resolutions
Annual general meeting for the year 2016	13 March 2017	http://www.sse.com.cn	14 March 2017

During the Reporting Period, the Company convened one general meeting, details as follows:

The annual general meeting for the year 2016 of the Company was held in Shanghai on 13 March 2017, on which the Work Report of the Directors for the year 2016, the Work Report of the Supervisors for the year 2016, the Resolution on Proposing to Review the Profit Distribution Plan of the Company for the year 2016, the Resolution on Proposing to Consider the Reappointment of Accounting Firm, the Resolution on Proposing to Review the Annual Report of the Company for the year 2016, the Resolution on Anticipated Daily Related Party Transactions of the Company for the year 2017, the Resolution on Proposing to Extend the Valid Period of the Mandate for the Public Offering of A Share Convertible Corporate Bonds and the Resolution on Proposing to Increase the External Donation Limit of the Company for the year 2017, were reviewed and passed.

II. THE PLAN FOR PROFIT DISTRIBUTION OR TO CONVERT RESERVE TO SHARE CAPITAL

The Company didn't propose any plan for profit distribution or to convert capital reserve fund to share capital in the first half of 2017.

Section V Significant Events

III. THE PERFORMANCE OF UNDERTAKINGS

(1) The undertakings of the Company's *de facto* controllers, shareholders, related parties, buyers and the Company and other related parties during the Reporting Period or that continued to be valid during the Reporting Period

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons	Next steps,
							for not performing timely, if applicable	if undertakings were not performed timely
Undertakings related to initial public offering	Shanghai State-owned Assets Operation Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
	Shanghai State-owned Assets Operation Co., Ltd.	Other	The undertaking of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date on which no longer being the Company's controlling shareholder (Note 1)	Yes	Yes	—	—
	Shanghai State-owned Assets Operation Co., Ltd.	Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai State-owned Assets Operation Co., Ltd.	Other	The undertaking of stabilizing share price within 3 years from the listing of Guotai Junan	Within 3 years after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
	Shanghai State-owned Assets Operation Co., Ltd.	Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—
	Shanghai State-owned Assets Operation Co., Ltd.	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai State-owned Assets Operation Co., Ltd.	Restriction on selling shares	A lock-up period of 12 months from the listing date of the H Shares of Guotai Junan in respect of the H Shares acquired by it in the Global Offering	12 months after the listing date of the H Shares of Guotai Junan	Yes	Yes	—	—
	Shanghai International Group Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons	Next steps,
							for not performing timely, if applicable	if undertakings were not performed timely
	Shanghai International Group Co., Ltd.	Other	The undertaking of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date on which no longer being the Company's de facto controller (Note 1)	Yes	Yes	—	—
	Shanghai International Group Co., Ltd.	Other	The undertaking of the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai International Group Co., Ltd.	Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—
	Shanghai International Group Co., Ltd.	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai International Group Co., Ltd.	Other	The undertaking of avoiding the competition with Guotai Junan in the same industry (Non-Competition Arrangement)	From the listing date of the H Shares of Guotai Junan to the date on which no longer being the Guotai Junan's controlling shareholder (Note 2)	Yes	Yes	—	—
	Shenzhen Investment Holdings Co., Ltd.	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shenzhen Investment Holdings Co., Ltd.	Restriction on selling shares	A lock-up period of 12 months from the listing date of the H Shares of Guotai Junan in respect of the H Shares acquired by it in the Global Offering	12 months after the listing date of the H Shares of Guotai Junan	Yes	Yes	—	—
	Shanghai Sitico Assets Management Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons	Next steps,
							for not performing timely, if applicable	if undertakings were not performed timely
	Shanghai Sitico Assets Management Co., Ltd.	Other	The undertaking of the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai Sitico Assets Management Co., Ltd.	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai International Group Asset Management Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date the of A Shares of Guotai Junan	Yes	Yes	—	—
	Shanghai International Group Asset Management Co., Ltd.	Other	The undertaking of the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai International Group Asset Management Co., Ltd.	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai International Group Asset Operation Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
	Shanghai International Group Asset Operation Co., Ltd.	Other	The undertaking of the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai International Group Asset Operation Co., Ltd.	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai Municipal Investment (Group) Corporation	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons	Next steps,
							for not performing timely, if applicable	if undertakings were not performed timely
	Shanghai SMI Assets (Group) Co., Ltd.	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Cornerstone investors of the H Shares of the Company (note 3)	Restriction on selling shares	Without the prior written consent of the Guotai Junan, the Joint Representatives and the Joint Sponsors, it will not, whether directly or indirectly, at any time during a period of six months starting from and inclusive of the listing date of the H Shares, dispose of any of the shares subscribed for by it under the relevant cornerstone investment agreement and any shares or other securities of the Guotai Junan derived therefrom or any legal or beneficial interest in the relevant shares, or enter into any transactions, directly or indirectly, with the same economic effect as any transaction for such disposal of relevant shares or interest, or agree or contract to, or publicly announce any intention to enter into, any transaction for such disposal of the relevant shares or interest or any transactions with the same economic effect	6 months after the listing date of the H Shares of Guotai Junan	Yes	Yes	—	—
	The Company	Other	The undertaking of stabilizing share price within 3 years from the listing of Guotai Junan	Within 3 years after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
	The Company	Other	The undertaking of repurchasing shares and indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons	Next steps,
							for not performing timely, if applicable	if undertakings were not performed timely
	The Company	To resolve the competition in the same industry	The undertaking of eliminating the competition with Shanghai Securities and Haiji Securities in the same industry	Within 5 years after the date on which Guotai Junan's controlled Shanghai Securities	Yes	Yes	—	—
	Directors and senior management of the Company	Other	The undertaking of stabilizing share price within 3 years from the listing of Guotai Junan	Within 3 years after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
	Directors and senior management of the Company	Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—
	Supervisors of the Company	Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—

Note 1: The controlling shareholder and the de facto controller as referred to herein are as defined under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

Note 2: The controlling shareholder as referred to herein is as defined under the Hong Kong Listing Rules in force from time to time.

Note 3: The cornerstone investors of the H Shares of the Company include Diamond Acquisition Co SARL, Da Cheng International Asset Management (acting as the investment manager of the National Council for Social Security Fund), BOCOM International Global Investment Limited, Winland Foundation Limited, ICBC Private Banking Global Investment Fund Series SICAV-SIF-ICBCI Absolute Return Fund and Tokai Tokyo Securities Co., Ltd.

IV. APPOINTMENT AND DISMISSAL OF AUDITORS

On 13 March 2017, pursuant to the resolution at the 2016 Annual General Meeting of the Company, the Company re-appointed Ernst & Young Hua Ming LLP as the external auditor of the Company for 2017, responsible for its statutory audit in accordance with the Accounting Standards for Business Enterprise and internal control audit. The Company appointed Ernst & Young (an accounting firm registered in Hong Kong) as the external auditor of the Company for 2017, responsible for the relevant audit and review services in accordance with the International Financial Reporting Standards.

Section V Significant Events

V. AUDIT ISSUES

The Audit Committee of the Board has reviewed the Report and the unaudited interim condensed financial statements for the six months ended 30 June 2017 prepared in accordance with the requirements of International Accounting Standards, and has no dissent on the accounting policies and practices adopted by the Company.

VI. NO MATERIAL LITIGATION AND ARBITRATION DURING THE REPORTING PERIOD

VII. PENALTIES AND RECTIFICATIONS OF THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRERS

The Company was ordered by the administrative regulatory measures to make rectifications, to increase the frequency of internal compliance inspections and to submit the compliance inspection report for its non-compliance behaviors on its NEEQ listing business.

The Company has the following non-compliance behaviors:

Firstly, the Company failed to conduct a sufficient examination of the key business processes and the inventories of Hebei Runnong Water-Saving Technology Co., Ltd. (河北潤農節水科技股份有限公司) when recommending its listing on the NEEQ, and the internal audit department of the Company lacked independence when performing its duties.

Secondly, during the on-going supervision on Shenxianyuan Ginseng Co., Ltd. (參仙源參業股份有限公司), a company listed on NEEQ, the Company failed to complete and submit the on-site inspection report of on-going supervision (《持續督導現場檢查工作報告》) within the specified period after this company was investigated.

Thirdly, the Company failed to conduct a sufficient examination of the key business processes as well as the status of the purchases and sales of Xinjiang Ruizhao Source Ecological Agriculture Co., Ltd. (新疆瑞兆源生態農業股份有限公司) when recommending its listing on the NEEQ.

On 16 January 2017, the CSRC issued the Decisions on Adoption of the Measures of Ordering the Guotai Junan Securities Co., Ltd. to Make Rectifications, to Increase the Frequency of Internal Compliance Inspections and to Submit the Compliance Inspection Report (《關於對國泰君安證券股份有限公司採取責令整改、增加內部合規檢查次數並提交合規檢查報告措施的決定》) to the Company, and ordered the Company to make rectifications, to increase the frequency of internal compliance inspections and to submit the compliance inspection report. The rectifications should be completed within one month after the date of formal decision.

Section V Significant Events

The Company has adopted the following rectification measures in respect of the above issues:

The Company has: adjusted the departmental structure and put the risk management team responsible for the risk review and assessment of the NEEQ business; improved the NEEQ business system and strengthened the examination of its key business processes; conducted additional site inspections for the above projects; and organized the relevant personnel of the NEEQ business to conduct a self-review and self-rectification.

VIII. THE CREDIT STATUS OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, there has been no failure to implement the effective judgment of a court or failure to meet the repayment schedules of a debt with a relatively large amount by the Company, Shanghai SA (controlling shareholder of the Company defined under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange) or International Group (de facto controller of the Company defined under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange).

IX. THE EQUITY INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THE IMPACT THEREOF

(I) Relevant equity incentive matters that have been published in temporary announcements and have no developments or changes in subsequent implementation

Description of the matter	Inquiry index
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On 10 July 2015, the Company issued the announcement in relation to the proposed employee share scheme, which sets out “The Company will actively promote the employee share scheme according to relevant requirements, implement the scheme after performing relevant review and approval procedures, and improve the incentive restriction mechanism that is beneficial for the long term, stable and healthy development of the Company.”

Announcement (Lin 2015-005)

(II) The share option scheme of Guotai Junan International

On 19 June 2010, Guotai Junan International, a subsidiary of the Company, adopted a share option scheme, with a term of 10 years from the date of adoption. No more than 164,000,000 Shares can be issued in aggregate pursuant to the Share Option Scheme. As of 30 June 2017, Guotai Junan International granted 94,500,000 options in total under the Share Option Scheme. (Please refer to relevant announcements of Guotai Junan International)

Section V Significant Events

X. MATERIAL RELATED PARTY TRANSACTIONS

The Company did not enter into any material related party transactions during the Reporting Period. The major related party transactions entered into by the Company are as follows:

1) Major related party transactions relating to day-to-day operations

1. Fees and commissions received by the Group from its related parties

Unit: RMB'000

Names of related parties	Contents of related party transactions	Closing balance	Opening balance
HuaAn Funds	Trading unit seats rental	5,255	21,945
CIFM	Trading unit seats rental	2,673	17,185
China Minsheng Investment Co. Ltd.	Revenue from securities underwriting business	2,025	—
SPD Bank	Revenue from entrusted assets management business	13,784	17,128

2. Interest received by the Group from its related parties

Unit: RMB'000

Names of related parties	Contents of related party transactions	Closing balance	Opening balance
SPD Bank	Interests from deposit in financial institutions	115,450	113,846

3. Interests paid by the Group to its related parties

Unit: RMB'000

Names of related parties	Contents of related party transactions	Closing balance	Opening balance
Shanghai Rural Commercial Bank	Interests on financial assets sold under repurchase agreements	4,681	8,719
SPD Bank	Interests from placements of other financial institutions	2,540	9,858
SPD Bank	Bond interests	9,732	22,750
International Group	Interests on short-term borrowings	—	9,333

Section V Significant Events

2) Balances with related parties of the Group

1. Balances of deposits in related parties

Unit: RMB'000

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	8,979,795	9,408,384
Shanghai Rural Commercial Bank	11,276	213,146

2. Balances of receivables

Unit: RMB'000

Names of related parties	Contents of related party transactions	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	Bank interests	59,501	16,846
Great Wall Securities Co. Ltd.	Financial assets held under resale agreements	48,684	—
HuaAn Funds	Trading unit seats rental	N/A	11,727
CIFM	Trading unit seats rental	N/A	7,678

3. Balances of payables

Unit: RMB'000

Names of related parties	Contents of related party transactions	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	Customer service fees	3,381	—
SPD Bank	Third-party funds depositary fees	2,354	1,958

Section V Significant Events

4. Closing balances of collective asset management schemes or funds issued by the Group held by related parties

Unit: RMB'000

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
Shanghai Trust	N/A	674,822
Shanghai SA	105,752	54,155
Apanage & Stones Co. Ltd. (安徽華茂恩遜艾世時裝有限公司)	2,100	1,008
SPD Bank	—	26,000

5. Balances of the bonds subscribed from related parties

Unit: RMB'000

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	700,000	1,000,000
Shanghai SA	100,000	—

Section V Significant Events

XI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1 No custody, contracting and leasing for the Company

2 Guarantees

Unit: RMB

External guarantees by the Company (excluding guarantees for subsidiaries)

Total amount of the guarantees during the Reporting Period (excluding guarantees for subsidiaries)	—
Balance of the total amount of the guarantees at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	—

Guarantees of the Company for subsidiaries

Total amount of the guarantees for subsidiaries during the Reporting Period	0
Balance of the total amount of the guarantees for subsidiaries at the end of the Reporting Period (B)	3,731,635,900

Total amount of guarantees of the Company (including guarantees for subsidiaries)

Total amount of guarantees (A+B)	3,731,635,900
Total amount of guarantees as a percentage of the net assets of the Company (%)	2.92
Including:	
The amount of guarantees offered to the shareholders, de facto controller and their related parties (C)	0
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	0
The amount of guarantees in excess of 50% of net assets (E)	0
The sum of the three items above (C+D+E)	0
Remark on the joint settlement responsibilities in relation to premature guarantees	/

Section V Significant Events

Remark on the guarantees

In May 2014, Guotai Junan Financial Holding Limited (BVI Co.), a subsidiary of the Company, issued the credit enhancement bonds with a par value of USD500 million overseas. Bank of China Sydney Branch provided a standby letter of credit guarantee for the repayment of these bonds. The Company issued a letter of counter guarantee on 19 May 2014 to Bank of China Sydney Branch in respect of the issuance of the above standby letter of credit guarantee. The amount of the counter guarantee covers the principal, interests and other relevant expenses of the first phase of the above overseas bonds proposed to be issued. The guarantee is a joint liability guarantee, which will expire at the end of six months from the expiration date of the repayments of the above debts. Based on the exchange rate prevailing on 30 June 2017, the total amount of the guarantee is RMB 3,731,635,900.

Section V Significant Events

3 Other material contracts

1. According to relevant rules of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Group did not enter into any material contract during the Reporting Period.
2. The developments of material contracts disclosed in the Prospectus about the Initial Public Offering of A Shares during the Reporting Period are as follows:
 - (1) According to a resolution at the 10th extraordinary meeting of the 4th session of the board of directors of the Company, the Company invests in the office building project of Huangpu Riverside (黃浦濱江), and the investment amount is expected to not exceed RMB1.18 billion. On 16 October 2013, the Company signed the Framework Agreement for Transfer of the Fuxing Land (《復興地塊項目轉讓框架協議》) with Shanghai Bund Riverside Development Company Ltd. (上海外灘濱江綜合開發有限公司) (the “**Bund Riverside**”). Pursuant to this agreement, Bund Riverside intends to acquire the land through land auction. The land is located at the Huangpu District, Shanghai City and is used for commercial and office purposes, with a site area of 35,862m². Bund Riverside will construct six office buildings thereon and transfer one of the buildings (with a gross floor area of approximately 14,000m²) to the Company. The transfer price covered the land costs, construction costs, respective amortization charges and the project management fees paid to Bund Riverside. On 12 December 2013, Bund Riverside signed the Land Use Rights Grant Contract of State-owned Land with the Planning and Land Administration Bureau of Huangpu District (上海市黃浦區規劃和土地管理局). As of the end of the Reporting Period, the Company has paid RMB572,268,300.
 - (2) On 12 March 2014, Guoxiang Properties signed the Contract for Construction the Pile Foundation and Surrounding Buildings Protection Works for New Elements of the Office Building of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司辦公樓新建項目樁基及周邊建築物保護工程施工合同》) with Shanghai Construction No.1 (Group) Co., Ltd. (the “**Shanghai Construction No.1**”), pursuant to which Shanghai Construction No.1 was responsible for the construction of the pile foundation and ancillary works of new elements of the office building of Guotai Junan. The project is situated at Lot 49, Jingan District, Shanghai City, with a total contract value of RMB65,500,900 and final accounting amount of RMB69,270,200. As of the end of the Reporting Period, the Company has fully paid the consideration.
 - (3) On 18 November 2014, Guoxiang Properties signed the Main Contract on Construction of the Main Body of the New Project of the Office Building of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司辦公樓新建項目主體工程施工總承包合同》) with Shanghai Construction No.1, pursuant to which Shanghai Construction No.1 was responsible for constructing the main body of the new project of the office building of Guotai Junan. The project is located at Lot 49, Jingan District, Shanghai City, with a total contract value of RMB335,882,500. As of the end of the Reporting Period, the Company has paid RMB173,009,800.

Section V Significant Events

XII. POVERTY ALLEVIATION ACTIVITIES OF THE COMPANY

√ Applicable □ Not applicable

1. Targeted poverty alleviation plans

Focusing on the “One company, one county” targeted poverty alleviation initiative, the Company has established a special work team and entered into comprehensive strategic cooperation agreements with the national-level poverty-stricken counties, Ji’an County of Jiangxi Province, Puge County of Sichuan Province and Qianshan County of Anhui Province. The Company and the counties will jointly establish the long-term effective work mechanisms for targeted helping and supporting, and motivate the positive effect of capital market on poverty alleviation. Taking into consideration the needs of real economy, the Company focuses on the capital market services for industrial help and support, to expand their financing channels, improve their financing efficiency, promote the transformation of the enterprises and assist them in financial innovation. The Company is also committed to improving the talent quality, improving the education environment, caring for the growth of students and helping the needy people with the talent, education and public welfare support.

At the same time, the Company continues to perform the public poverty alleviation works that have done in the past, such as rural “Support in Pairs”, “Learning and Teaching Support” in poor areas and financial assistance to poor college students, to implement the common culture of the Company, make sure the poverty alleviation is practicable and make contributions to the poverty alleviation.

2. Overview of the targeted poverty alleviation activities during the Reporting Period

The Company has entered into the comprehensive cooperation agreements in respect of the industrial support, education support, financial advisory, talent support and public welfare support with Ji’an County of Jiangxi Province, Puge County of Sichuan Province and Qianshan County of Anhui Province. Various departments and certain subsidiaries of the Company have conducted several site inspection surveys to understand the local economy developments and the actual needs of industry financing and education support. The Company will formulate support plans based on the actual situations and determine the support targets.

The Company has initiated various special targeted poverty alleviation activities, including matching the assistance provider with the poverty-stricken families and poor students that have been recorded for poverty registration, recruiting volunteers within the Company, promoting the “Be Together” program to care for the left-behind children and “Angel Education” program, purchasing Guotai Junan customized insurance for more than 110,000 teachers and students in the three poverty-stricken counties to improve their healthcare standards, and inviting and organizing the staff from the departments of and the enterprises in the counties to Shanghai to attend the trainings and lectures on financial knowledge.

Section V Significant Events

The Company has supported Fengxian District, Shanghai City as a pair in five consecutive years, to provide support and assistance to the poor families, the elders and students, actively supported the learning and education of the poor people, continuously provided teaching assistance for poor students in four universities in Shanghai and 11 universities in Shenzhen and Chongqing, and provided materials and fund assistance for students and teachers in the three Guotai Junan Hope Primary Schools in Gansu, Jiangxi and Yunnan.

3. Statistical table of targeted poverty alleviation activities of the Company during the Reporting Period

Unit: RMB'0,000

Indicators	Number and implementation information of the Company
I. Overview	
Including:1.Fund	622.91
2.Materials trade	
3.Number of poor people helped to be removed from administrative record for poverty registration (Persons)	
II. Itemized input	
1.Poverty alleviation through industrial development	
Including:1.1 Type of industrial poverty alleviation projects	<input type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	6
1.3 Amount invested in industrial poverty alleviation projects	
1.4 Number of poor people helped to be removed from administrative record for poverty registration (Persons)	

Section V Significant Events

Indicators	Number and implementation information of the Company
2.Poverty alleviation through employment	
Including: 2.1 Amount invested in vocational training	10
2.2 Number of people receiving vocational training (Person/Time)	600
2.3 Number of poor people in administrative record for poverty registering employed (Persons)	
3.Poverty alleviation through relocation	
Including: 3.1 Number of relocated people employed (Persons)	
4.Poverty alleviation through education	
Including: 4.1 Amount invested in subsidizing poor students	47.26
4.2 Number of students receiving allowance (Persons)	163
4.3 Amount invested in improvement of education resources of poor areas	16.6
5.Poverty alleviation through health enhancement	
Including: 5.1 Amount invested in medical and health resources in poor areas	
6.Poverty alleviation through ecological protection	
Including: 6.1 Name of project	<input type="checkbox"/> Launching ecological protection and construction <input type="checkbox"/> Establishing compensation for the ecological protection <input type="checkbox"/> Creating ecological and public welfare positions <input type="checkbox"/> Others
6.2 Amount invested	

Section V Significant Events

Indicators	Number and implementation information of the Company
7. Protection for the most impoverished people Including: 7.1 Amount invested in helping the “three left-behind” groups	21.71
7.2 Number of people of the “three left-behind” groups helped (Persons)	300
7.3 Amount invested in helping the poor people with disabilities	
7.4 Number of poor people with disabilities helped (Persons)	
8. Poverty alleviation in the society Including: 8.1 Amount invested in poverty alleviation in the east-west collaboration of the country	
8.2 Amount invested in targeted poverty alleviation work	500
8.3 Poverty alleviation public welfare fund	
9. Other projects Including: 9.1. Number of projects (Projects)	3
9.2. Amount invested	27.34
9.3. Number of poor people helped to be removed from administrative record for poverty registering (Persons)	
9.4. Details of other projects	
III. Awards (details and levels)	—

4. Subsequent targeted poverty alleviation plans

In the second half of 2017, in addition to the current poverty alleviation work and the achievements, the Company will continue to conduct the existing paired poverty alleviation and education support in accordance with the established targeted poverty alleviation plans. The Company will actively promote the targeted support work in Ji'an County of Jiangxi Province, Puge County of Sichuan Province and Qianshan County of Anhui Province, and put more efforts in support, enhance the communications between talents, improve their education and learning environment and expand their corporate financing channels. The Company will also further promote the “Poverty Alleviation and Learning Support” program, help to construct hope primary schools and assist the poor college students. The Company will continuously leverage on its advances in the industry and perform its social responsibilities actively.

Section V Significant Events

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not applicable

XIV. OTHER SIGNIFICANT EVENTS

(I) No changes in the accounting policies, accounting estimates and audit methods compared with the last accounting period

(II) No significant accounting errors which require retrospective restatement during the Reporting Period

(III) Others

1. Corporate governance

During the Reporting Period, the Company strictly complied with requirements of laws, regulations and departmental rules such as the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》) and the Articles of Association, and continued to improve the corporate governance system. The actual situation of corporate governance is in line with relevant requirements. On 11 April 2017, the Company publicly issued the H Shares and was listed on the Hong Kong Stock Exchange. Since the listing of H Shares, the Company has strictly complied with the Corporate Governance Code, and fully complied with all the provisions in the Code (if applicable) and has met most of the recommended best practice provisions.

The Articles of Association amended based on the actual needs of the H Shares issuance of the Company has come into effect on 11 April 2017. According to the Articles of Association, the Board of the Company is comprised of 17 directors, of which six are independent directors. As at the end of the Reporting Period, the Board of the Company has 16 directors.

During the Reporting Period, the Company organized and convened general meeting of shareholders, meetings of the Board, meetings of the supervisory committee and meetings of special committees of the Board in strict accordance with the Articles of Association. During the Reporting Period, the Company convened one annual general meeting of shareholders, six meetings of the board of directors (two were ordinary general meetings and four were extraordinary meetings), two meetings of the supervisory committee, two meetings of the remuneration appraisal and nomination committee, two meetings of the audit committee and two meetings of the risk control committee.

Section V Significant Events

To regulate the holding and dealing of the Company's shares by Directors, Supervisors and senior management of the Company, the Company formulated the Measures for the Management of the Holding and Changes in the Holding of the Shares of Guotai Junan Securities Co., Ltd. by the Directors, Supervisors and Senior Management (the "**Management Measures**"). The provisions of Management Measures are stricter than the compulsory provisions in the Model Code. Having made all reasonable enquiries, all directors and supervisors of the Company have confirmed that they had strictly complied with the relevant provisions of the Management Measures and the Model Code during the Reporting Period.

2. Public issuance of the H Shares and listing on the Hong Kong Stock Exchange

As approved by the CSRC and Hong Kong Stock Exchange, the Company publicly issued 1,040,000,000 H Shares and was listed on the Main Board of Hong Kong Stock Exchange on 11 April 2017. On 28 April 2017, upon the exercise of the Over-allotment Option, the Company issued additional 48,933,800 H Shares, which were listed on the Hong Kong Stock Exchange on 9 May 2017. According to relevant requirements on transfer and reduction in holding of state-owned shares, the state-owned Shareholders of the Company transferred to the National Council for Social Security Fund (the "**NSSF**") such number of Shares representing an aggregate of 10% of the H Shares (including additional Shares issued upon exercise of the Over-allotment Option in part) to be issued pursuant to the Global Offering, namely 108,893,380 A Shares in total. Accordingly, the total share capital of the Company changed to comprise of 8,713,933,800 Shares, including 7,516,106,620 A Shares and 1,197,827,180 H Shares.

3. Public issuance of A Shares convertible corporate bonds by the Company

As approved by the CSRC, the Company publicly issued the A Share convertible bonds with an amount of RMB7 billion on 7 July 2017 and such convertible bonds was listed on the Shanghai Stock Exchange on 24 July 2017 with stock code 113013.

4. Public transfer of 51% equity interest in GTJA Allianz Funds

In order to optimize the business structure of our assets management business, on 9 January 2017, the Company publicly offered its 51% equity interest in GTJA Allianz Funds for transfer on the Shanghai United Assets and Equity Exchange. On 27 April 2017, Pacific Asset Management Co., Ltd. became the transferee of the above equity interest with the tender of RMB1,045 million. At the end of the Reporting Period, Pacific Asset Management Co., Ltd. has fully paid the consideration, and this equity transfer has yet to be finally approved by the CSRC as at the date of this Report.

Section V Significant Events

5. Acquisition of 20% equity interest in HuaAn Funds

On 26 February 2014, Shanghai Electric Group Corp. publicly offered its 20% equity interest in HuaAn Funds for transfer on the Shanghai United Assets and Equity Exchange at the initial tender price of RMB600,094,000. Pursuant to a resolution passed on the 11th extraordinary meeting of the 4th session of the board of directors the Company, Guotai Junan Innovation Investment attended the bidding. On 9 April 2014, Guotai Junan Innovation Investment entered into an equity purchase agreement with Shanghai Electric Group Corp., and the value of this agreement was RMB600,094,000. On 29 September 2015, pursuant to a resolution passed at the 31th extraordinary meeting of the 4th session of the board of directors of the Company, Guotai Junan Innovation Investment entered into a supplemental agreement with Shanghai Electric, pursuant to which Guotai Junan Innovation Investment agreed to pay an additional RMB29,806,000 to Shanghai Electric Group Corp. based on the difference between the valuation of the subject equity interest determined on 30 June 2015 (benchmark date for valuation) and the original valuation specified in the original equity purchase agreement. On 12 January 2017, pursuant to a resolution passed at the 7th extraordinary meeting of the 5th session of the board of directors of the Company, Guotai Junan Innovation Investment entered into the third supplemental agreement with Shanghai Electric Group Corp., pursuant to which Guotai Junan Innovation Investment agreed to pay an additional RMB20,100,000 to Shanghai Electric Group Corp.. As of the end of the Reporting Period, Guotai Junan Innovation Investment has paid up the considerations. As of the date of this Report, this transaction has yet to be approved by the CSRC.

6. Regulation on the direct investment business

In order to implement the Management Rules for the Private Investment Funds Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》) and the Management Rules for the Alternative Investment Subsidiaries of Securities Companies (《證券公司另類投資子公司管理規範》) issued by the SAC, in June and July 2017, the Resolution on Review and Implementation of the Management Rules for the Private Investment Funds Subsidiaries under Securities Companies(《關於提請審議落實〈證券公司私募投資基金子公司管理規範〉要求的議案》) and the Resolution on Review of Establishing Alternative Investment Subsidiaries(《關於提請審議設立另類投資子公司的議案》) were passed at the 10th and 11th extraordinary meetings of the 5th session of the board of the directors of the Company, respectively. The Company will reorganize Guotai Junan Innovation Investment and its subsidiaries in accordance with the requirements of above resolutions, and transfer them into private investment funds subsidiaries to engage in private investment funds business. The Company will contribute RMB 1 billion to establish an alternative investment subsidiary to conduct the alternative investment with its owned funds.

Section V Significant Events

7. Bonds issuance and capital increase by subsidiaries

(1) Issuance of the short-term corporate bonds with par value of RMB 1.0 billion by Shanghai Securities

According to the Letter on No Objection to the offer of the Non-public Issuance of the Short-term Corporate Bonds of Shanghai Securities Co., Ltd for Transfer (《關於對上海證券有限責任公司非公開發行短期公司債券掛牌轉讓無異議的函》) (Shang Zheng Han No. [2017]101) issued by the Shanghai Stock Exchange, Shanghai Securities was approved to issue the short-term corporate bonds with par value not exceeding RMB5.7 billion. In March 2017, Shanghai Securities issued the first tranche of the short-term corporate bonds with an amount of RMB1.0 billion.

(2) Issuance of the subordinated bonds with par value of RMB2.0 billion by Shanghai Securities

According to the Letter on No Objection to the offer of the Non-public Issuance of the Subordinated Bonds of Shanghai Securities Co., Ltd for Transfer (《關於對上海證券有限責任公司非公開發行次級債券掛牌轉讓無異議的函》) (Shang Zheng Han No. [2017]264) issued by the Shanghai Stock Exchange, Shanghai Securities was approved to issue the subordinated bonds with par value not exceeding RMB2 billion. In May 2017, Shanghai Securities issued the first tranche of the subordinated bonds with an amount of RMB1.4 billion. As at the date of this Report, Shanghai Securities has completed the issuance of the second tranche of the subordinated bonds with an amount of RMB600 million.

(3) Issuance of subordinated bonds with par value of RMB1 billion by Guotai Junan Asset Management

According to the Letter on No Objection to the offer of the Non-public Issuance of the Subordinated Bonds of Guotai Junan Securities Asset Management Co., Ltd. for Transfer (《關於對上海國泰君安證券資產管理有限公司非公開發行次級債券掛牌轉讓無異議的函》) (Shang Zheng Han No. [2017]397) issued by the Shanghai Stock Exchange, Guotai Junan Asset Management was approved to issue the subordinated bonds with par value not exceeding RMB2 billion. In May 2017, Guotai Junan Asset Management issued the first tranche of the subordinated bonds with an amount of RMB1 billion.

(4) Capital increase of RMB1.2 billion by the Company to Guotai Junan Asset Management

In July 2017, according to the Resolution on Review of the Capital Increase to Guotai Junan Securities Asset Management Co., Ltd. (《關於提請審議對上海國泰君安證券資產管理有限公司增資的議案》) passed at the 10th extraordinary meeting of the 5th session of the board of directors of the Company, the Company contributed RMB1.2 billion to Guotai Junan Asset Management. After the capital increase, the registered capital of Guotai Junan Asset Management increased from RMB0.8 billion to RMB2 billion.

Section V Significant Events

8. Changes of business outlets

During the Reporting Period, the Group established 14 new securities branches, relocated three branch offices, 16 securities branches and one futures branch in the same cities and deregistered one securities branch in China. As of 30 June 2017, the Group had 31 branch offices, 381 securities branches and 17 futures branches.

	Newly-established branch offices	Relocated branch offices	Newly-established securities/futures branches	Relocated securities/futures branches	Deregistered securities/futures branches
The Company	—	3	7	13	1
Shanghai Securities	—	—	7	3	—
Guotai Junan					
Futures	—	—	—	1	—
Hicend Futures	—	—	—	—	—

(1) The Company

1) Details of newly-established securities branches:

No.	Names of newly-established securities branches	Locations of newly-established securities branches	Permit issuing date
1	Shenzhen Longgang Avenue Securities Branch	No. 1B-1, Huifengxuan, No. 6006 Longgang Avenue, Longgang Street, Longgang District, Shenzhen City	30 June 2017
2	Shenzhen Meilin Road Securities Branch	No. 1006, Tower B, Zhuoyue Meilin Center Square (South Area), Meilin Road, Meilin Street, Futian District, Shenzhen City	30 June 2017
3	Xi'an Yanzhan Road Securities Branch	1F, Room 10106, Unit 1, Building 1, Overseas Chinese Town Tianebao, No. 463 Yanzhan Road, Yanta District, Xi'an City	30 June 2017

Section V Significant Events

No.	Names of newly-established securities branches	Locations of newly-established securities branches	Permit issuing date
4	Zhengzhou Jinshui East Road Securities Branch	West lobby, 1F, Tower A, Central Publication Building, No.39 Jinshui East Road, Zhengzhou Area (Zhengdong), Pilot Free Trade Zone, Henan Province	13 June 2017
5	Changsha Yuelu Avenue Securities Branch	Nos. 1020&1021, Buildings 5&6, Greenland Times Square, No.31 Yinshan Road, Yinpenling Street, Yuelu District, Changsha City, Hunan Province	30 June 2017
6	Qingyang Anding East Road Securities Branch	Shop No. 108, 1-2F, Tower A, Dijinghaoting, Anding East Road, Xifeng District, Qingyang City, Gansu Province	13 June 2017
7	Shenyang Beier East Road Securities Branch	No.22 (No. 9 Gate), Beier East Road, Tiexi District, Shenyang City, Liaoning Province	13 June 2017

2) Details of relocated branch offices and securities branches:

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Shandong Branch Office	Shandong Branch Office	5F, Building 1, Longao Jinzuo Office Building, No. 8000 Jingshi Road, Lixia District, Jinan City
2	Guangdong Branch Office	Guangdong Branch Office	Units 2602&2603, R&F Center, No. 10 Huaxia Road, Zhujiang Xincheng, Tianhe District, Guangzhou City

Section V Significant Events

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
3	Tianjin Branch Office	Tianjin Branch Office	Units 07-09, 42F, Surveying and Mapping Level, Jinta Office Building, Tianjin Worldwide Finance Center, No.2 Dagu North Road, Xiaobailou, Heping District, Tianjin City
4	Nanjing Taiping South Road Securities Branch	Nanjing Taiping South Road Securities Branch	East of 1F, Room 401, No. 389 Taiping South Road, Qinhuai District, Nanjing City
5	Harbin Shangzhi Central Street Securities Branch	Harbin Shangzhi Central Street Securities Branch	No. 205, Central Street, Shangzhi Town, Shangzhi City
6	Xiangyang Dongfeng Motor Avenue Securities Branch	Xiangyang Dongfeng Motor Avenue Securities Branch	2F, Building B, No. 30 Dongfeng Motor Avenue, Gaoxin District, Xiangyang City
7	Minqing Meicheng Street Securities Branch	Minqing Tianxing Street Securities Branch	Shops 13, 1F& 13F, 2F, Building No.2, Hengxiangguancheng, No. 2 Tianxing Street, Meicheng Town, Minqing County, Fuzhou City, Fujian Province
8	Ningbo Caihong North Road Securities Branch	Ningbo Caihong North Road Securities Branch	No. 97, Caihong North Road, Yinzhou District
9	Shenzhen Sungang Road Securities Branch	Shenzhen Xiangmihu Road Securities Branch	Unit B1, 44F, NEO Building, intersection of Shennan Road and Tairan Road, Shatou Street, Futian District, Shenzhen City
10	Quzhou Tonghe Road Securities Branch	Quzhou Hehua Central Road Securities Branch	No. 63-5, Hehua Central Road, Quzhou City, Zhejiang Province
11	Panjin Linfeng Road Securities Branch	Panjin Xinglongtai Street Securities Branch	No. 02, Building 0001, Xinyihe Community Shangwang, Zhenxing Area, Xinglongtai District, Panjin City

Section V Significant Events

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
12	Xuzhou Jiefang Road Securities Branch	Xuzhou Heping Road Securities Branch	Nos. 102-1&505-511&513&514, Wenyuan Building, No. 59 Heping Road, Yunlong District, Xuzhou City
13	Siping Central East Road Securities Branch	Siping Central West Road Securities Branch	No. 58 Central West Road, Renxing Street, Tiexi District, Siping City, Jilin Province
14	Shunde Daliang Securities Branch	Shunde Daliang Securities Branch	Office Building 1&2, 2F, Tower B, Guangdeye Building, No. 1 Dongle Road, Daliang Central Neighborhood Committee, Shunde District, Foshan City, Guangdong Province
15	Chenzhou Guoqing North Road Securities Branch	Chenzhou Guoqing North Road Securities Branch	6F, Wealth Center, left to 1F of office building of ICBC Beihu Sub-branch, No.3 Guoqing North Road, Beihu District, Chenzhou City, Hunan Province
16	Jiujiang Shili Road Securities Branch	Jiujiang Shili Road Securities Branch	No. 1299, Shili Road, Lianxi District, Jiujiang City, Jiangxi Province

3) Details of deregistered securities branches:

No.	Name of securities branches	Reply reference number	Approval date	Date of the verification letter
1	Shaxian Binhe Road Securities Branch	Min Zheng Jian Xu Ke No.[2016]12	5 December 2016	4 January 2017

Section V Significant Events

(2) Shanghai Securities

1) Details of newly-established securities branches:

No.	Names of newly-established securities branches	Locations of newly-established securities branches	Permit issuing date
1	Shenzhen Nanshan Houhai Road Securities Branch	Rooms 1907&1908, Tianli Central Business Square, east of Houhai Avenue, Yuehai Street, Nanshan District, Shenzhen City	24 March 2017
2	Taizhou Luqiao East Luqiao Avenue Securities Branch	1F, No 399 East Luqiao Avenue, Luqiao District, Taizhou City, Zhejiang Province	14 April 2017
3	Taizhou Wenling Renmin East Road Securities Branch	1-2F, No. 136 Renmin East Road, Taiping Street, Wenling City (county-level), Taizhou City, Zhejiang Province	14 April 2017
4	Shaoxing Xinchang Renmin West Road Securities Branch	1-2F, No. 3-3 Renmin West Road, Nanming Street, Xinchang County	14 April 2017
5	Jinhua Yihu Chouzhou North Road Securities Branch	1&3F, No. 783 Chouzhou North Road, Futian Street, Yiwu City, Zhejiang Province	20 April 2017
6	Foshan Chancheng Jihua 5th Road Securities Branch	Nos. 612-613, No. 55 Jihua 5th Road, Chancheng District, Foshan City	20 April 2017
7	Yangzhou Guangling Wenchang Central Road Securities Branch	Room 110, Huatai Shouxi Guoji Building, No. 8 Wenchang Central Road, Guangling District, Yangzhou City	27 June 2017

Section V Significant Events

2) Details of relocated securities branches and branch offices:

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Dingxi Road Securities Branch	Dingxi Road Securities Branch	Rooms 305-310, North Wing, Building 12, No. 1122 Dingxi Road, Changning District, Shanghai City
2	Yueqing Hongqiao Feihong South Road Securities Branch	Yueqing Hongqiao Feihong South Road Securities Branch	No. 223 Feihong South Road, Hongqiao Town, Yueqing City, Zhejiang Province
3	Suzhou Wujiang Liuhong Road Securities Branch	Suzhou Wujiang Liuhong Road Securities Branch	No. 70 Liuhong Road, Songling Town, Wujiang District, Suzhou City, Jiangsu Province

3. Guotai Junan Futures

Details of relocated futures branches and branch offices:

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Shanghai City Quyang Road Futures Branch	Shanghai City Guobin Road Futures Branch	Rooms 1607 and 1608, No. 36 Guobin Road, Yangpu District, Shanghai City

Section VI Changes in Ordinary Shares and Particulars about Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

Unit: share

	Before change		New issues	Change (+/-)			Sub-total	After change	
	Number	Percentage (%)		Bonus Issues	Reserves Capitalized	Others		Number	Percentage (%)
I. Shares subject to selling restrictions	2,850,990,775	37.39				-67,574,505	-67,574,505	2,783,416,270	31.94
1. State-owned shares									
2. Shares held by state-owned legal entities	2,850,990,775	37.39				-67,574,505	-67,574,505	2,783,416,270	31.94
3. Other domestic shares									
Including: Shares held by domestic non-state-owned legal entities									
Shares held by domestic natural persons									
4. Shares held by foreign capital									
Including: Shares held by overseas legal entities									
Shares held by overseas natural persons									
II. Tradable shares not subject to selling restrictions	4,774,009,225	62.61	1,088,933,800			67,574,505	1,156,508,305	5,930,517,530	68.06
1. RMB-denominated ordinary shares	4,774,009,225	62.61				-41,318,875	-41,318,875	4,732,690,350	54.31
2. Domestic listed foreign-invested shares									
3. Overseas listed foreign-invested shares			1,088,933,800			108,893,380	1,197,827,180	1,197,827,180	13.75
4. Others									
III. Total shares	7,625,000,000	100.00	1,088,933,800			0	1,088,933,800	8,713,933,800	100.00

2. Explanation on changes in shares

See “XIV. Other Significant Events” in section V “Significant Events” in this Report.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

(II) Changes in shares subject to selling restrictions

Unit: share

Names of shareholders	Number of shares subject to selling restrictions at the beginning of the period	Number of shares released from selling restrictions during the period	Increase in shares with selling restrictions during the period	Number of shares with selling restrictions at the end of the period	Reasons for selling restrictions	Date of release from selling restrictions
Shanghai State-owned Assets Operation Co., Ltd	1,949,347,453	0	0	1,900,963,748	Shares initially issued with selling restrictions	26 June 2018
Shanghai International Group Co., Ltd.	698,608,342	0	0	682,215,791	Shares initially issued with selling restrictions	26 June 2018
The Second Shareholding Transfer Account of Board of Directors of NSSF	89,090,813	0	0	89,090,813	Shares initially issued with selling restrictions	26 June 2018
Shanghai Sitico Assets Management Co., Ltd.	77,295,979	0	0	75,482,261	Shares initially issued with selling restrictions	26 June 2018
Shanghai International Group Asset Management Co., Ltd.	35,694,300	0	0	34,732,152	Shares initially issued with selling restrictions	26 June 2018
Shanghai International Group Asset Operation Co., Ltd.	953,888	0	0	931,505	Shares initially issued with selling restrictions	26 June 2018
Total	2,850,990,775	0	0	2,783,416,270	/	/

Note: The shares subject to selling restrictions as referred to herein are as defined under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

The number of shares subject to selling restrictions held by some shareholders at the end of the Reporting Period is different from the number of shares subject to selling restrictions held by them at the beginning of the Reporting Period because due to the initial public offering of the H Shares by the Company, such shareholders performed their obligations in relation to the conversion or reduction of the state-owned shares to convert or reduce some of their shares subject to selling restrictions into H Shares which were registered in the H Shares account of the board of directors of NSSF.

II. PARTICULARS OF THE SHAREHOLDERS

(I) Total number of shareholders:

Total number of holders of ordinary shares as at the end of the Reporting Period	188,037
Total number of holders of preferred shares with voting rights restored as at the end of the Reporting Period	Not applicable

Note: The total number of shareholders of the Company includes 187,755 holders of ordinary A Shares and 282 registered holders of H Shares.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

(II) Shareholdings of the top ten shareholders and the top ten holders of transferrable shares (or shares without selling restrictions) as at the end of the Reporting Period

Unit: share

Names of shareholders (full name)	Shareholdings of the top ten shareholders						Nature of shareholders
	Increase or decrease during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Number of shares with selling restrictions held	Pledged or frozen		
					Status	Number	
Shanghai State-owned Assets Operation Co., Ltd (Note 1)	-48,383,705	1,900,963,748	21.82	1,900,963,748	Not	0	State-owned legal entities
HKSCC Nominees Limited (Note 2)	1,197,593,380	1,197,593,380	13.74	0	Unknown	0	Overseas legal entities
Shanghai International Group Co., Ltd.	-16,392,551	682,215,791	7.83	682,215,791	Not	0	State-owned legal entities
Shenzhen Investment Holdings Co., Ltd. (Note 3)	-14,643,584	609,428,357	6.99	0	Not	0	State-owned legal entities
China Securities Finance Corporation Limited	334,083,232	334,083,232	3.83	0	Not	0	Domestic non-state-owned legal entities
Shanghai Municipal Investment (Group) Corporation	-5,924,597	246,566,512	2.83	0	Not	0	State-owned legal entities
Shenzhen Energy Group Co., Ltd.	0	154,455,909	1.77	0	Not	0	Domestic non-state-owned legal entities
The Second Shareholding Transfer Account of Board of Directors of NSSF	0	151,104,674	1.73	89,090,813	Not	0	State-owned legal entities
Shanghai Financial Development and Investment Fund (Limited Partnership)	0	150,000,000	1.72	0	Not	0	Others
Dazhong Transportation (Group) Co., Ltd.	0	144,555,909	1.66	0	Not	0	Domestic non-state-owned legal entities

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Shareholdings of the top ten shareholders no subject to selling restrictions

Names of shareholders	Number of tradable shares no subject to selling restrictions held	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	1,197,593,380	Overseas listed foreign-invested shares	1,197,593,380
Shenzhen Investment Holdings Co., Ltd.	609,428,357	RMB- denominated ordinary shares	609,428,357
China Securities Finance Corporation Limited	334,083,232	RMB- denominated ordinary shares	334,083,232
Shanghai Municipal Investment (Group) Corporation	246,566,512	RMB- denominated ordinary shares	246,566,512
Shenzhen Energy Group Co., Ltd.	154,455,909	RMB- denominated ordinary shares	154,455,909
Shanghai Financial Development and Investment Fund (Limited Partnership)	150,000,000	RMB- denominated ordinary shares	150,000,000
Dazhong Transportation (Group) Co., Ltd.	144,555,909	RMB- denominated ordinary shares	144,555,909
China First Automobile Group Corporation	112,694,654	RMB- denominated ordinary shares	112,694,654
Hangzhou Financial Investment Group Co., Ltd.	92,322,675	RMB- denominated ordinary shares	92,322,675
China National Publications Import & Export (Group) Corporation	81,140,150	RMB- denominated ordinary shares	81,140,150

Description on the relations or acting in concert arrangements among the shareholders above

Shanghai State-owned Assets Operation Co., Ltd is a wholly owned subsidiary of Shanghai International Group Co., Ltd. Save as disclosed herein, the Company is not aware of any other relations or acting in concert arrangements.

Description on the holders of preferred shares with voting rights restored and their shareholdings

Not applicable

Note 1: In the above table, the number of shares held by Shanghai SA as at the end of the period merely represents the number of A Shares held by it. Another 152,000,000 H Shares were held by Shanghai SA through HKSCC Nominees Limited as the nominee.

Note 2: HKSCC Nominees Limited is a nominee holder of the shares owned by the non-registered holders of the H Shares.

Note 3: In the above table, the number of shares held by Shenzhen Investment Holdings as at the end of the period merely represents the number of A Shares held by it. Another 103,373,800 H Shares were held by Shenzhen Investment Holdings through HKSCC Nominees Limited as the nominee.

Note 4: The shares subject to selling restrictions and the shareholders subject to selling restrictions as referred to herein are those as defined under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Shareholdings of the top ten shareholders subject to selling restrictions and terms of the selling restrictions

Unit: share

No.	Names of shareholders holding shares subject to selling restrictions	Number of shares subject to selling restrictions held	Listing and trading of shares subject to selling restrictions		Selling restrictions
			The date on which shares becoming tradable	Increase in the number of tradable shares	
1	Shanghai State-owned Assets Operation Co., Ltd	1,900,963,748	26 June 2018	0	From the date of 36 months upon the listing of the A Shares of Guotai Junan
2	Shanghai International Group Co., Ltd.	682,215,791	26 June 2018	0	From the date of 36 months upon the listing of the A Shares of Guotai Junan
3	The Second Shareholding Transfer Account of Board of Directors of NSSF	89,090,813	26 June 2018	0	From the date of 36 months upon the listing of the A Shares of Guotai Junan
4	Shanghai Sitico Assets Management Co., Ltd.	75,482,261	26 June 2018	0	From the date of 36 months upon the listing of the A Shares of Guotai Junan
5	Shanghai International Group Asset Management Co., Ltd.	34,732,152	26 June 2018	0	From the date of 36 months upon the listing of the A Shares of Guotai Junan
6	Shanghai International Group Asset Operation Co., Ltd.	931,505	26 June 2018	0	From the date of 36 months upon the listing of the A Shares of Guotai Junan
Description on relations or acting in concert arrangements among the shareholders above		Shanghai State-owned Assets Operation Co., Ltd, Shanghai Sitico Assets Management Co., Ltd., Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co., Ltd. are all subsidiaries of Shanghai International Group Co., Ltd.			

Note: The shares subject to selling restrictions and the shareholders subject to selling restrictions as referred to herein are as those defined under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

III. NO CHANGES IN THE CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

Section VI Changes in Ordinary Shares and Particulars about Shareholders

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

As of 30 June 2017, to the best knowledge of the Company, the following persons have interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or are required to be recorded in the register that is required to be kept by the Company under Section 336 of the Securities and Futures Ordinance, or own directly or indirectly 5% or more of the nominal value of any class of shares of the Company:

Substantial shareholders	Nature of Interest	Class	Number (Note 1)/Nature of Shares Directly or Indirectly Held	As an Approximate Percentage of the Relevant Class of Shares (%)	As an Approximate Percentage of the Total Issued Share Capital (%)
Shanghai International Group Co., Ltd.	Beneficial owner	A Shares	682,215,791/Long positions	9.08	7.83
	Interest held by controlled corporations	A Shares	2,017,419,666/Long positions (Note 2)	26.84	23.15
	Interest held by controlled corporations	H Shares	152,000,000 /Long positions (Note 3)	12.69	1.74
Shanghai State-owned Assets Operation Co., Ltd	Beneficial owner	A Shares	1,900,963,748/Long positions	25.29	21.82
	Beneficial owner	H Shares	152,000,000 /Long positions (Note 3)	12.69	1.74
Shenzhen Investment Holdings Co., Ltd	Beneficial owner	A Shares	609,428,357/Long positions	8.11	6.99
	Beneficial owner	H Shares	103,373,800/Long positions	8.63	1.19
New China Asset Management (Hong Kong) Limited	Beneficial owner	H Shares	196,210,000 /Long positions (Note 4)	16.38	2.25
New China Life Insurance Company Ltd.	Interest held by controlled corporations	H Shares	196,210,000 /Long positions (Note 4)	16.38	2.25
New China Asset Management Company Limited	Interest held by controlled corporations	H Shares	196,210,000 /Long positions (Note 4)	16.38	2.25
Diamond AcquisitionCo SARL	Beneficial owner	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Substantial shareholders	Nature of interest	Class	Number (Note 1)/nature of shares directly or indirectly held	As an approximate percentage of the relevant class of shares (%)	As an approximate percentage of the total issued share capital (%)
A9 USD (Feeder) L.P.	Interest held by controlled corporations	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18
Apax Guernsey (Holdco) PCC Limited	Interest held by controlled corporations	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18
Apax IX GP Co. Limited	Interest held by controlled corporations	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18
Apax IX USD GP L.P. Inc.	Interest held by controlled corporations	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18
Apax IX USD L.P.	Interest held by controlled corporations	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18
Diamond Holding SARL	Interest held by controlled corporations	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18
Jacqueline Mary Le Maitre-Ward	Trustee of a trust	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18
David Payne Staples	Trustee of a trust	H Shares	190,333,000 /Long positions (Note 5)	15.89	2.18
National Council for Social Security Fund	Beneficial owner	H Shares	114,421,980/Long positions	9.55	1.31
Shenzhen Energy Group Co., Ltd.	Beneficial owner	H Shares	100,000,000/Long positions	8.35	1.15

Section VI Changes in Ordinary Shares and Particulars about Shareholders

- Note 1: Pursuant to Section 336 of the Securities and Futures Ordinance, shareholders of the Company shall submit forms to disclose their interests when certain conditions are met. As shareholders of the Company are not required to inform the Company and the Hong Kong Stock Exchange of any changes in their shareholdings in the Company unless certain conditions are met, the latest shareholdings of substantial shareholders in the Company may be inconsistent with the shareholdings reported to the Hong Kong Stock Exchange.
- Note 2: Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai Sitico Assets Management Co., Ltd. held 1,900,963,748, 40,042,152, 931,505 and 75,482,261 A Shares of the Company respectively. Shanghai SA, Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co., Ltd. are wholly owned subsidiaries of International Group, and Shanghai Sitico Assets Management Co., Ltd. is a subsidiary held as to 66.33% by International Group. Therefore, International Group is deemed to be interested in the 2,017,419,666 A Shares held by Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai Sitico Assets Management Co., Ltd. for the purpose of the Securities and Futures Ordinance;
- Note 3: Shanghai SA is a wholly owned subsidiary of International Group. Therefore, International Group is deemed to be interested in the 152,000,000 H Shares held by Shanghai SA for the purpose of the Securities and Futures Ordinance.
- Note 4: New China Asset Management Company Limited holds 60% interests in New China Asset Management (Hong Kong) Limited, and New China Life Insurance Company Ltd. owns 99.4% interests in New China Asset Management Company Limited. Therefore, New China Life Insurance Company Ltd. and New China Asset Management Company Limited are deemed to be interested in the 196,210,000 H Shares held by New China Asset Management (Hong Kong) Limited for the purpose of the Securities and Futures Ordinance.
- Note 5: Diamond AcquisitionCo SARL is wholly owned by Diamond Holding SARL. Apax IX USD L.P. is the beneficial owner of 73.8% of the equity interest in Diamond Holding SARL. A9 USD (Feeder) L.P. contributed 44.9% of the capital to Apax IX USD L.P. Apax IX USD GP L.P. is the general partner of Apax IX USD L.P. and A9 USD (Feeder) L.P. Apax IX GP Co. Limited is the general partner of Apax IX USD GP L.P. Inc. Apax IX GP Co. Limited is wholly owned by Apax Guernsey (Holdco) PCC Limited. The equity interest in Apax Guernsey (Holdco) PCC Limited is held by Jacqueline Mary Le Maitre – Ward and David Payne Staples as trustees of the Hirzel IV Purpose Trust. Accordingly, each of Diamond Holding SARL, Apax IX USD L.P., Apax IX USD GP L.P. Inc., Apax IX GP Co. Limited, Apax Guernsey(Holdco) PCC Limited, A9 USD (Feeder) L.P., Jacqueline Mary Le Maitre – Ward and David Payne Staples is deemed to be interested in the 190,333,000 H Shares held by Diamond AcquisitionCo SARL for the purpose of the Securities and Futures Ordinance.

Save as disclosed above, as at 30 June 2017, the Company was not aware of any other person (other than the directors, supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance.

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

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

Section VII Preferred Shares

Applicable Not applicable

Section VIII Directors, Supervisors and Senior Management

I. COMPOSITION OF THE BOARD OF DIRECTORS OF THE COMPANY

The fifth session of the board of directors of the Company comprises the following 16 Directors:

Executive Directors: Mr. YANG Dehong, Mr. WANG Song and Mr. YU Jian

Non-executive Directors: Mr. FU Fan, Ms. LIU Ying, Mr. ZHONG Maojun, Mr. ZHOU Lei, Mr. WANG Yongjian, Mr. XIANG Dong and Mr. LIU Qiang

Independent Non-executive Directors: Mr. XIA Dawei, Mr. SHI Derong, Mr. CHEN Guogang, Mr. LING Tao, Mr. JIN Qingjun and Mr. LEE Conway Kong Wai

II. CHANGES IN SHAREHOLDING

(i) Changes in the shareholdings of the existing directors, supervisors and senior management of the Company and those who resigned during the Reporting Period

Applicable Not applicable

(ii) Share awards granted to the directors, supervisors and senior management of the Company during the Reporting Period

Applicable Not applicable

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

Name	Position	Reason of change
LEE Conway Kong Wai	Independent non-executive Director	Election
XIE Lebin	Chief financial officer	Engagement

Explanations on changes in the directors, supervisors and senior management of the Company

Applicable Not applicable

Section VIII Directors, Supervisors and Senior Management

1. On 24 October 2016, the Resolution on Election of Mr. LEE Conway Kong Wai as an Independent Director of the Company was considered and approved at the 2016 first extraordinary general meeting of the Company and the appointment of Mr. LEE Conway Kong Wai shall become effective from the date of satisfaction of all of the following conditions and the term of appointment shall end on the expiry date of the term of the fifth session of the Board of the Company: 1) the appointment of Mr. LEE Conway Kong Wai as an independent Director of the fifth session of the Board of the Company having been considered and approved at the shareholders' general meeting of the Company; 2) Mr. LEE Conway Kong Wai having obtained the approval from the securities regulatory authorities for his qualification as an independent director of a securities company; 3) the H shares issued by the Company having been listed on the Hong Kong Stock Exchange; 4) the Articles of Association (Draft) having been considered and approved at the shareholders' general meeting and having been approved by relevant securities regulatory authorities. On 11 April 2017, the H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange and all of these four conditions have been fulfilled. Therefore, the appointment of Mr. LEE Conway Kong Wai became effective from such date.
2. On 28 November 2016, the Resolution on Proposed Appointment of Vice President and Chief Financial Officer of the Company was considered and approved at the fourth extraordinary meeting of the fifth session of the board of directors of the Company and Mr. XIE Lebin was appointed as chief financial officer of the Company and such appointment shall become effective after he has obtained the approval on his qualification as a senior management member of a securities company. On 12 January 2017, Mr. XIE Lebin was qualified as a senior management member of a securities company and his appointment became effective on the same date.

Section VIII Directors, Supervisors and Senior Management

IV. OTHER EXPLANATIONS

(i) Securities transactions by directors, supervisors and relevant employees

The Company has adopted the standards in the Model Code as the code of conduct for securities transactions by Directors, Supervisors and relevant employees of the Company. Specific enquiries have been made to all directors and supervisors of the Company, and all directors and supervisors have confirmed that they had been in strict compliance with the Model Code throughout the Reporting Period. The Company was not aware of any violation of relevant guidelines by relevant employees. During the Reporting Period, none of existing directors, supervisors and senior management of the Company and those who resigned during the Reporting Period held any shares or share options of the Company, nor were granted any restricted shares.

(ii) Interests and short positions of directors, supervisors and chief executive in the shares, underlying shares or debentures of the Company and associated corporations

As at 30 June 2017, the Company was not aware of any director, supervisors and chief executive of the Company who had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

(iii) Material changes in personal particulars of directors, supervisor and chief executive

Save as disclosed in “III. Changes in Directors, Supervisors and Senior Management of the Company” of this section, pursuant to Rule 13.51B of the Hong Kong Listing Rules, there were no other material changes in the personal particulars of directors, supervisors and chief executive of the Company during the Reporting Period.

Section VIII Directors, Supervisors and Senior Management

(iv) Number of employees, remuneration and training programs

As of 30 June 2017, the Group had a total of 14,419 employees^{Note}, 10,996 of which were employees of the Company^{Note}.

The Company has formulated a series of remuneration systems in line with the practical conditions of the Company pursuant to relevant PRC laws and regulations and the Articles of Association, including the Administrative Measures on Remuneration, the Administrative Measures on Performance, the Administrative Measures on Professional Ranking. The Company establishes a post value and competence oriented and performance-related remuneration system to achieve “inside fairness and outside competition”. The Company maintains various social insurances (including the pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance), housing fund and enterprise annuity in accordance with the PRC laws and regulations.

In order to improve the professional skills of its employees, the Company has provided diversified internal and external training programs. Internal training programs include on-site, video conference and online training programs. The Company’s employees have participated in various qualification exams related to business and various exams on various regulatory laws. In the first half of 2017, the Company provided over 200 on-site trainings relating to compliance and risk control, investment banking and securities derivatives to nearly 7,000 person-time, and over 9,000 persons spent over 200,000 hours in total in training on the internet.

Note: including brokers and intermediaries

Section IX Corporate Bonds

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB

Name of bond	Abbreviation	Bond code	Date of issue	Maturity date	Outstanding amount	Interest rate (%)	Method of repayment of principal and payment of interests	Place of trading
Guotai Junan Securities Co., Ltd. 2015 Corporate Bonds (First tranche) (Type I)	15 GUOJUN G1	136047	18 November 2015	19 November 2020	5,000,000,000	3.6	Interests payable on annual basis and principal repayable and accrued interests payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2015 Corporate Bonds (First tranche) (Type II)	15 GUOJUN G2	136048	18 November 2015	19 November 2022	1,000,000,000	3.8	Interests payable on annual basis and principal repayable and accrued interests payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First tranche) (Type I)	16 GUOJUN G1	136367	11 April 2016	12 April 2021	5,000,000,000	2.97	Interests payable on annual basis and principal repayable and accrued interests payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First tranche) (Type II)	16 GUOJUN G2	136368	11 April 2016	12 April 2023	1,000,000,000	3.25	Interests payable on annual basis and principal repayable and accrued interests payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Second tranche) (Type I)	16 GUOJUN G3	136622	11 August 2016	12 August 2021	5,000,000,000	2.90	Interests payable on annual basis and principal repayable and accrued interests payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Second tranche) (Type II)	16 GUOJUN G4	136623	11 August 2016	12 August 2021	3,000,000,000	3.14	Interests payable on annual basis and principal repayable and accrued interests payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Third tranche)	16 GUOJUN G5	136711	20 September 2016	21 September 2021	3,000,000,000	2.94	Interests payable on annual basis and principal repayable and accrued interests payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange

Section IX Corporate Bonds

Interest payment of corporate bonds

Interest on Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First Tranche) (Type I) and (Type II) for the current period was paid on 12 April 2017.

Other explanations on corporate bonds

In respect of Guotai Junan Securities Co., Ltd. 2015 Corporate Bonds (First Tranche) (Type I), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option on the interest payment date of the third interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2015 Corporate Bonds (First Tranche) (Type II), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option at the interest payment date of the fifth interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First Tranche) (Type I), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option at the interest payment date of the third interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First Tranche) (Type II), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option at the interest payment date of the fifth interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Second Tranche) (Type I), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option at the interest payment date of the third interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Third Tranche), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option at the interest payment date of the third interest-bearing year. None of such options were exercised during the Reporting Period.

In May 2014, Guotai Junan Financial Holdings issued credit enhancement bonds with a par value of US\$500,000,000 which is listed on the Hong Kong Stock Exchange with the short name of GUOTAI FH B1905 and bond code of 05754. The bond was issued on 22 May 2014 with a term expiring on 22 May 2019 bearing an interest rate of 3.625% payable on a semi-annual basis. As at the end of the Reporting Period, the outstanding amount of the bonds was US\$500,000,000.

Section IX Corporate Bonds

II. CONTACT PERSONS AND INFORMATION OF THE TRUSTEE MANAGER AND CONTACT INFORMATION OF THE CREDIT RATING AGENCY OF THE CORPORATE BONDS

15 Guo Jun G1		Name	Changjiang Securities Underwriting & Sponsorship Co., Ltd.
15 Guo Jun G2	Trustee manager of bonds	Address of office	21/F, Changtai International Finance Centre, No. 1589 Shiji Avenue, Pudong New District, Shanghai City
16 Guo Jun G1		Contact person	Shu Mingyue
16 Guo Jun G2		TEL	021-38784899
16 Guo Jun G3		Name	Everbright Securities Co., Ltd.
16 Guo Jun G4	Trustee manager of bonds	Address of office	6/F, No.789 Yan'an Middle Road, Shanghai City
16 Guo Jun G5		Contact person	Huang Liang, Xing Yiwei
		TEL	021-32587357
15 Guo Jun G1		Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
15 Guo Jun G2			
16 Guo Jun G1			
16 Guo Jun G2	Credit rating agency	Address of office	14/F, Huasheng Building, No.398 Hankou Road, Shanghai
16 Guo Jun G3			
16 Guo Jun G4			
16 Guo Jun G5			

III. USE OF PROCEEDS FROM THE CORPORATE BONDS

As at 30 June 2017, the balance of the special account for the proceeds from the corporate bonds above was nil and all the proceeds have been used to supplement the working capital of the Company in order to meet the needs of its business operation, which was in line with the intended use, use plan and other agreement as set out in the bond prospectus.

IV. RATINGS OF THE CORPORATE BONDS

On 19 April 2017, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted follow-up credit ratings for "15 GUOJUN G1", "15 GUOJUN G2", "16 GUOJUN G1", "16 GUOJUN G2", "16 GUOJUN G3", "16 GUOJUN G4" and "16 GUOJUN G5", and issued the Report on the Follow-up Credit Rating of the 2015 and 2016 Corporate Bonds of Guotai Junan Securities Co., Ltd. (Shanghai Brilliance Ongoing Rating [2017]100051), pursuant to which the credit ratings of the "15 GUOJUN G1", "15 GUOJUN G2", "16 GUOJUN G1", "16 GUOJUN G2", "16 GUOJUN G3", "16 GUOJUN G4" and "16 GUOJUN G5" are AAA, the credit rating of the Company remained at AAA, and the credit rating outlook is stable.

Section IX Corporate Bonds

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER RELATED INFORMATION OF THE CORPORATE BONDS DURING THE REPORTING PERIOD

The abovementioned corporate bonds did not have any credit enhancement mechanism. The debt repayment plan and the other debt repayment safeguard measures were not changed.

As agreed in the bond prospectuses of the Company, the Company's debt repayment safeguard measures include: formulating the Bondholder Meeting Rules, establishing special repayment work teams, giving full play to the role of bond trustees and strictly performing the obligation of information disclosure. During the Reporting Period, the relevant plans and measures of the Company were consistent with the commitments in the bond prospectuses.

VI. MEETINGS HELD BY THE HOLDERS OF THE CORPORATE BONDS

During the Reporting Period, the Company did not hold any meeting of the holders of the corporate bonds.

VII. PERFORMANCE OF DUTIES BY THE TRUSTEE OF THE CORPORATE BONDS

Changjiang Financing Services Co., Limited, the Company's bond trustee of "15 GUOJUN G1", "15 GUOJUN G2", issued the 2016 Bond Trustee Management Services Report of 2015 Corporate Bonds (Tranche I) of Guotai Junan Securities Co., Ltd. in April 2017.

Changjiang Financing Services Co., Limited, the Company's bond trustee of "16 GUOJUN G1", "16 GUOJUN G2", issued the 2016 Bond Trustee Management Services Report of 2016 Corporate Bonds (Tranche I) of Guotai Junan Securities Co., Ltd. in April 2017.

Everbright Securities Co., Ltd., the Company's bond trustee of "16 GUOJUN G3", "16 GUOJUN G4", issued the 2016 Bond Trustee Management Services Report of 2016 Corporate Bonds (Tranche II) of Guotai Junan Securities Co., Ltd. in April 2017.

Everbright Securities Co., Ltd., the Company's bond trustee of "16 GUOJUN G5", issued the 2016 Bond Trustee Management Services Report of 2016 Corporate Bonds (Tranche III) of Guotai Junan Securities Co., Ltd. in April 2017.

Section IX Corporate Bonds

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR)

Major indicators	At the end of the Reporting Period	At the end of last year	Increase/decrease at the end of the Reporting Period as compared with the end of last year (%)	Reasons for change
	Gearing ratio	58.16%	61.66%	Decrease by 3.50%
Loan repayment ratio	100%	100%	—	/

	During the Reporting Period (January - June)	Corresponding period of last year	Increase/decrease for the Reporting Period as compared with the Corresponding period of last year (%)	Reasons for change
	EBITDA interest coverage ratio (times)	3.39	3.25	4.31
Interest repayment ratio	100%	100%	—	/

IX. INFORMATION OF THE OVERDUE LOAN

Applicable Not applicable

Section IX Corporate Bonds

X. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

During the Reporting Period, other bonds and debt financing instruments of the Company mainly included short-term financing bills, medium-term notes, structured notes and subordinated bonds. Please refer to the section headed “Notes to the interim condensed consolidated financial statements. 39. Short-term debt instruments and 45. Bonds payable” for details. The principal amounts and interests of each financing instrument have been paid on time.

XI. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As at 30 June 2017, the Company had obtained the banking facilities from the major cooperation banks with an aggregated amount of RMB360 billion, of which about RMB60 billion had been used and RMB300 billion had not been used.

XII. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR COMMITMENTS SPECIFIED IN CORPORATE BOND PROSPECTUSES BY THE COMPANY DURING THE REPORTING PERIOD

Applicable Not applicable

XIII. SIGNIFICANT EVENTS OF THE COMPANY AND THE IMPACTS ON THE OPERATION POSITION AND SOLVENCY OF THE COMPANY

The Company is currently in good operating position, and no significant events that might impact the solvency of the Company have occurred.

Section X Interim Condensed Consolidated Financial Statements

INDEPENDENT REVIEW REPORT

To the board of directors of Guotai Junan Securities Co., Ltd.

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements which comprises the condensed consolidated statement of financial position of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at 30 June 2017 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our Report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this Report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Section X Interim Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016, and the relevant notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with I-SRE 2410.

Ernst & Young

Certified Public Accountants

Hong Kong

25 August 2017

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2017 (Unaudited)	2016 (Unaudited)
Revenue			
Fee and commission income	5	5,947,007	7,838,648
Interest income	6	5,930,887	6,094,308
Net investment gains	7	3,124,555	1,865,243
Total revenue		15,002,449	15,798,199
Gain on disposal of subsidiaries		—	2,750,865
Other income and gains	8	853,018	835,198
Total revenue and other income		15,855,467	19,384,262
Fee and commission expenses	9	(982,820)	(1,112,507)
Interest expenses	10	(3,071,645)	(3,917,414)
Staff costs	11	(3,261,308)	(3,907,723)
Depreciation and amortization expenses	12	(223,954)	(207,834)
Business tax and surcharges		(67,908)	(482,391)
Other operating expenses and costs	13	(1,377,264)	(1,142,750)
Provision for impairment losses	14	(219,778)	(588,215)
Total expenses		(9,204,677)	(11,358,834)
Operating profit		6,650,790	8,025,428
Share of profits of associates and joint ventures		14,986	51,197
Profit before income tax		6,665,776	8,076,625
Income tax expense	15	(1,573,700)	(1,886,109)

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

		Six months ended 30 June	
	Notes	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Profit for the period		5,092,076	6,190,516
Attributable to:			
Equity holders of the Company		4,756,266	5,020,165
Non-controlling interests		335,810	1,170,351
Total		5,092,076	6,190,516
Earnings per share attributable to ordinary equity holders of the Company (Expressed in Renminbi Yuan per share)			
– Basic	17	0.56	0.62
– Diluted		0.56	0.62

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(All amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit for the period	5,092,076	6,190,516
Other comprehensive income/(loss) for the period		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Net changes in fair value	1,979,308	(2,668,904)
– Reclassified to profit or loss	(1,010,225)	331,315
Share of other comprehensive income of associates and joint ventures	14,769	15,780
Exchange differences on translation of financial statements in foreign currencies	(250,399)	137,092
Income tax impact	(231,077)	577,443
Other comprehensive Income/(loss) for the period, net of tax	502,376	(1,607,274)
Total comprehensive income for the period	5,594,452	4,583,242
Attributable to:		
Equity holders of the Company	5,413,258	3,419,971
Non-controlling interests	181,194	1,163,271
Total	5,594,452	4,583,242

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 (Audited)
Non-current assets			
Property and equipment	18	3,561,980	3,543,116
Prepaid land lease payments	19	813,942	823,495
Goodwill	20	581,407	581,407
Other intangible assets	21	1,398,620	1,384,441
Investments in associates	23	429,437	431,685
Investments in joint ventures	23	952,227	829,655
Available-for-sale financial assets	24	34,348,538	38,638,640
Financial assets held under resale agreements	25	26,488,952	23,605,425
Financial assets at fair value through profit or loss	26	145,516	46,247
Refundable deposits	27	7,481,840	9,742,881
Deferred tax assets	28	319,371	762,365
Other non-current assets	29	1,464,825	1,669,793
Total non-current assets		77,986,655	82,059,150
Current assets			
Accounts receivable	30	4,675,857	1,891,376
Other receivables and prepayments	31	4,005,414	4,503,402
Margin accounts receivable	32	63,169,683	68,892,785
Available-for-sale financial assets	24	1,526,005	1,842,582
Financial assets held under resale agreements	25	57,267,230	39,605,953
Financial assets at fair value through profit or loss	26	83,679,279	76,676,991
Derivative financial assets	33	135,740	175,424
Clearing settlement funds	34	1,500,996	1,779,380
Cash held on behalf of brokerage customers	35	93,728,502	106,378,892
Cash and bank balances	36	17,050,943	27,943,107
Total current assets		326,739,649	329,689,892
Total assets		404,726,304	411,749,042

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

	Notes	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Current liabilities			
Loans and borrowings	38	6,533,972	6,262,230
Short-term debt instruments	39	12,284,840	14,847,586
Placements from other financial institutions	40	7,550,000	4,700,000
Accounts payable to brokerage customers	41	99,158,566	112,956,690
Employee benefits payable	42	5,023,649	6,269,165
Income tax payable		833,662	2,599,026
Financial assets sold under repurchase agreements	43	44,287,582	39,691,470
Financial liabilities at fair value through profit or loss	44	22,194,234	16,318,339
Derivative financial liabilities	33	137,305	290,500
Bonds payable	45	13,737,234	17,156,246
Other current liabilities	46	10,408,742	18,670,688
Total current liabilities		222,149,786	239,761,940
Net current assets		104,589,863	89,927,952
Total assets less current liabilities		182,576,518	171,987,102
Non-current liabilities			
Loans and borrowings	38	—	1,878,471
Bonds payable	45	48,717,655	55,582,519
Employee benefits payable	42	622,458	631,789
Deferred tax liabilities	28	87,825	103,920
Financial assets sold under repurchase agreements	43	3,000,000	26,950
Financial liabilities at fair value through profit or loss	44	197,194	197,017
Other non-current liabilities	47	2,186,335	2,814,714
Total non-current liabilities		54,811,467	61,235,380
Net assets		127,765,051	110,751,722

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

	Notes	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Equity			
Share capital	48	8,713,934	7,625,000
Other equity instruments	49	10,000,000	10,000,000
Reserves	50	62,456,359	47,782,061
Retained profits	50	35,749,873	34,557,357
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		116,920,166	99,964,418
Non-controlling interests		10,844,885	10,787,304
		<hr/>	<hr/>
Total equity		127,765,051	110,751,722
		<hr/> <hr/>	<hr/> <hr/>

Approved and authorized for issue by the Board of Directors on 25 August 2017.

YANG Dehong

Chairman

WANG Song

Executive Director

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the Company (Unaudited)										
	Share capital	Other equity instruments	Reserves					Retained profits	Total	Non-controlling interests	Total equity
			Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve				
At 1 January 2017	7,625,000	10,000,000	29,374,285	346,532	137,774	5,729,487	12,193,983	34,557,357	99,964,418	10,787,304	110,751,722
Profit for the period	—	—	—	—	—	—	—	4,756,266	4,756,266	335,810	5,092,076
Other comprehensive income for the period	—	—	—	790,463	(133,471)	—	—	—	656,992	(154,616)	502,376
Total comprehensive income for the period	—	—	—	790,463	(133,471)	—	—	4,756,266	5,413,258	181,194	5,594,452
IPO of H shares (i)	1,088,934	—	14,029,256	—	—	—	—	—	15,118,190	—	15,118,190
Dividends (note 16)	—	—	—	—	—	—	—	(2,973,750)	(2,973,750)	—	(2,973,750)
Distribution to other equity instrument holders (note 16)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	(171,103)	(171,103)
Others	—	—	(11,950)	—	—	—	—	—	(11,950)	47,490	35,540
At 30 June 2017	<u>8,713,934</u>	<u>10,000,000</u>	<u>43,391,591</u>	<u>1,136,995</u>	<u>4,303</u>	<u>5,729,487</u>	<u>12,193,983</u>	<u>35,749,873</u>	<u>116,920,166</u>	<u>10,844,885</u>	<u>127,765,051</u>

- (i) Capital reserve movement of the Group during the period arose from the issuance of the H shares and it was arrived at after elimination of transaction cost of RMB 155,821 thousand.

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

	Attributable to equity holders of the Company (Unaudited)										
	Reserves								Total	Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits			
At 1 January 2016	7,625,000	10,000,000	29,293,409	1,337,817	(126,221)	4,989,709	10,266,703	31,937,998	95,324,415	6,312,306	101,636,721
Profit for the period	—	—	—	—	—	—	—	5,020,165	5,020,165	1,170,351	6,190,516
Other comprehensive loss for the period	—	—	—	(1,689,405)	89,211	—	—	—	(1,600,194)	(7,080)	(1,607,274)
Total comprehensive income for the period	—	—	—	(1,689,405)	89,211	—	—	5,020,165	3,419,971	1,163,271	4,583,242
Issue of perpetual subordinated bonds by subsidiaries	—	—	—	—	—	—	—	—	—	1,160,287	1,160,287
Dividends (note 16)	—	—	—	—	—	—	—	(3,965,000)	(3,965,000)	—	(3,965,000)
Distribution to other equity instrument holders (note 16)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	(79,267)	(79,267)
Others	—	—	65,837	—	—	—	(1,466)	(679)	63,692	31,073	94,765
At 30 June 2016	7,625,000	10,000,000	29,359,246	(351,588)	(37,010)	4,989,709	10,265,237	32,402,484	94,253,078	8,587,670	102,840,748

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

(All amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Cash flows from operating activities:		
Profit before income tax	6,665,776	8,076,625
Adjustments for:		
Interest expenses	3,071,645	3,917,414
Share of profits of associates and joint ventures	(14,986)	(51,197)
Depreciation and amortization	223,954	207,834
Provision for impairment losses	219,778	588,215
Net losses on disposal of property and equipment	516	989
Foreign exchange gains/(losses)	69,193	(7,695)
Net realized gains from financial instruments	(1,091,621)	(263,118)
Gain on disposal of subsidiaries	(26,129)	(2,750,865)
Dividend income and interest income from available-for-sale financial assets	(306,957)	(426,123)
Interest income from time deposits, loans and receivables	(199,641)	(295,080)
Unrealized fair value changes in financial instruments through profit or loss	102,181	633,252
Unrealized fair value changes in derivatives	(97,739)	79,501
	8,615,970	9,709,752
Decrease/(increase) in refundable deposits	2,261,041	(2,692,793)
Decrease in margin accounts receivable	5,757,676	18,718,210
Increase in accounts receivable, other receivables and prepayments	(2,388,713)	(797,177)
Increase in financial assets held under resale agreements	(17,168,597)	(7,759,382)
(Increase)/decrease in financial instruments at fair value through profit or loss and derivative financial instruments	(1,392,360)	7,344,286
Decrease in cash held on behalf of brokerage customers	10,643,516	19,840,094
Decrease in accounts payable to brokerage customers	(13,798,124)	(13,837,191)
Decrease in other liabilities	(9,297,634)	(1,505,405)
Decrease in employee benefits payable	(1,266,798)	(394,356)
Increase/(decrease) in financial assets sold under repurchase agreements	7,569,162	(11,393,938)
Increase/(decrease) in placements from other financial institutions	2,850,000	(4,412,000)
Cash (used in)/generated from operations	(7,614,861)	12,820,100

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

	Note	Six months ended 30 June	
		2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Income taxes paid		(3,143,242)	(4,015,979)
Interest paid		(1,187,036)	(1,900,980)
Net cash (used in)/generated from operating activities		<u>(11,945,139)</u>	<u>6,903,141</u>
Cash flows from investing activities:			
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets		17,124	28,820
Dividends and interest received from available-for-sale financial assets and other investments		491,048	771,552
Proceeds from disposal of available-for-sale financial assets and other investments		41,756,115	28,086,164
Net proceeds from disposal of subsidiaries, associates and joint ventures		1,043,405	(184,355)
Purchases of property and equipment, other intangible assets and other non-current assets		(352,264)	(269,407)
Purchases of available-for-sale financial assets and other investments		(32,760,553)	(33,119,161)
Net cash generated from/(used in) investing activities		<u>10,194,875</u>	<u>(4,686,387)</u>

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

		Six months ended 30 June	
	Note	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Cash flows from financing activities:			
Net proceeds from issuance of H shares		15,301,493	—
Issue of perpetual subordinated bonds by subsidiaries		—	1,160,287
Proceeds from issuance of short-term debt instruments		16,058,240	9,860,582
Proceeds from issuance of bonds payable		7,412,902	6,068,662
Proceeds from loans and borrowings		12,996,757	12,175,942
Repayment of debt securities issued		(36,323,811)	(19,118,386)
Repayment of loans and borrowings		(15,556,763)	(17,999,734)
Interest paid		(1,735,677)	(2,541,244)
Dividends paid		(3,305,506)	(4,043,277)
Distribution to other equity instrument holders		(616,949)	(590,000)
Cash paid for other financing activities		(38,246)	—
		<hr/>	<hr/>
Net cash used in financing activities		(5,807,560)	(15,027,168)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(7,557,824)	(12,810,414)
Cash and cash equivalents at the beginning of the period		35,192,601	42,163,327
Effect of foreign exchange rate changes		(78,488)	74,317
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	37	27,556,289	29,427,230
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

(All amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司).

The Company publicly issued A shares and was listed on the Shanghai Stock Exchange on 26 June 2015, with stock code 601211. On 11 April 2017, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), with stock code 02611.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Group is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, financial advisory business relating to securities trading and securities investment, margin financing and securities lending, agency sale of securities investment funds, agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

Section X Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 7	Statement of Cash Flows: Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

Although these amendments apply for the first time in 2017, they do not have material impact on the interim condensed consolidated financial statements of the Group.

3. USE OF JUDGMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

The significant judgments made by management in applying the Group’s accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2016.

Section X Interim Condensed Consolidated Financial Statements

4. SEGMENT REPORTING

The Group is organized into business units based on their products and services and has reportable operating segments as follows:

- (1) Institutional finance-Institutional investor services, which primarily includes prime brokerage, stock-pledged financing and securities repurchase, research businesses provided to institutional clients, as well as market-making and proprietary trading;
- (2) Institutional finance-Investment banking, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients;
- (3) Personal finance, which primarily includes securities and futures brokerage, margin financing, securities lending, wealth management and financial planning services provided to retail clients through both online and offline channels;
- (4) Investment management, which primarily includes asset management, fund management, direct investment management services to institutions and individuals;
- (5) International business, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, loans and financing, financial products, market-making and investment businesses, and
- (6) Other, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purpose.

Section X Interim Condensed Consolidated Financial Statements

4. SEGMENT REPORTING (continued)

(a) Operating segments

	Six months ended 30 June 2017						Total
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	
Unaudited							
Segment total revenue and other income							
Fee and commission income	270,109	1,211,011	3,063,328	875,015	527,544	—	5,947,007
Interest income	2,143,429	—	3,191,418	31,020	565,002	18	5,930,887
Net investment gains	2,787,972	—	—	175,440	161,143	—	3,124,555
Other income and gains	101,086	—	4,815	126,133	712	620,272	853,018
Total revenue and other income	<u>5,302,596</u>	<u>1,211,011</u>	<u>6,259,561</u>	<u>1,207,608</u>	<u>1,254,401</u>	<u>620,290</u>	<u>15,855,467</u>
Segment expenses	(2,864,824)	(600,811)	(4,052,811)	(286,046)	(787,622)	(612,563)	(9,204,677)
Including: Interest expenses	(1,609,919)	—	(1,235,681)	(19,657)	(206,388)	—	(3,071,645)
Provision for impairment losses	(210,673)	—	53,310	—	(62,415)	—	(219,778)
Segment operating profit	<u>2,437,772</u>	<u>610,200</u>	<u>2,206,750</u>	<u>921,562</u>	<u>466,779</u>	<u>7,727</u>	<u>6,650,790</u>
Share of profit of associates and joint ventures	—	—	—	14,986	—	—	14,986
Segment profit before income tax	<u>2,437,772</u>	<u>610,200</u>	<u>2,206,750</u>	<u>936,548</u>	<u>466,779</u>	<u>7,727</u>	<u>6,665,776</u>
Income tax expense	(566,844)	(141,887)	(513,125)	(217,771)	(132,277)	(1,796)	(1,573,700)
Segment profit for the period	<u><u>1,870,928</u></u>	<u><u>468,313</u></u>	<u><u>1,693,625</u></u>	<u><u>718,777</u></u>	<u><u>334,502</u></u>	<u><u>5,931</u></u>	<u><u>5,092,076</u></u>
As at 30 June 2017							
Segment total assets	<u><u>174,749,147</u></u>	<u><u>544,340</u></u>	<u><u>164,317,142</u></u>	<u><u>14,117,634</u></u>	<u><u>45,152,109</u></u>	<u><u>5,845,932</u></u>	<u><u>404,726,304</u></u>
Segment total liabilities	<u><u>111,107,714</u></u>	<u><u>1,203,117</u></u>	<u><u>123,619,204</u></u>	<u><u>3,324,950</u></u>	<u><u>36,738,035</u></u>	<u><u>968,233</u></u>	<u><u>276,961,253</u></u>
Six months ended 30 June 2017							
Other segment information:							
Depreciation and amortization expenses	15,034	696	105,991	5,821	17,892	78,520	223,954
Capital expenditure	<u>99,205</u>	<u>336</u>	<u>96,115</u>	<u>33,861</u>	<u>12,557</u>	<u>110,190</u>	<u>352,264</u>

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4. SEGMENT REPORTING (continued)

(a) Operating segments (continued)

	Six months ended 30 June 2016							
	Institutional finance						Other	Total
	Institutional	Investment	Personal	Investment	International	business		
investor services	banking	finance	management	business				
<i>Unaudited</i>								
Segment total revenue and other income								
Fee and commission income	422,008	1,541,239	4,214,981	1,353,653	306,767	—	7,838,648	
Interest income	1,863,771	184	3,624,311	18,132	587,895	15	6,094,308	
Net investment gains	1,564,854	—	—	109,937	190,452	—	1,865,243	
Gain on disposal of subsidiaries	—	—	—	2,750,865	—	—	2,750,865	
Other income and gains	116,350	—	5,185	90,476	13,801	609,386	835,198	
Total revenue and other income	<u>3,966,983</u>	<u>1,541,423</u>	<u>7,844,477</u>	<u>4,323,063</u>	<u>1,098,915</u>	<u>609,401</u>	<u>19,384,262</u>	
Segment expenses	(3,097,912)	(756,407)	(5,731,924)	(540,484)	(582,019)	(650,088)	(11,358,834)	
Including: Interest expenses	(1,884,330)	—	(1,795,199)	(667)	(237,218)	—	(3,917,414)	
Provision for impairment losses	(640,850)	—	53,400	—	(765)	—	(588,215)	
Segment operating profit/(loss)	869,071	785,016	2,112,553	3,782,579	516,896	(40,687)	8,025,428	
Share of profit of associates and joint ventures	—	—	—	51,197	—	—	51,197	
Segment profit/(loss) before income tax	869,071	785,016	2,112,553	3,833,776	516,896	(40,687)	8,076,625	
Income tax expense	(206,764)	(186,766)	(502,605)	(912,107)	(87,548)	9,681	(1,886,109)	
Segment profit/(loss) for the period	<u>662,307</u>	<u>598,250</u>	<u>1,609,948</u>	<u>2,921,669</u>	<u>429,348</u>	<u>(31,006)</u>	<u>6,190,516</u>	
<i>Audited</i>								
As at 31 December 2016								
Segment total assets	<u>162,420,115</u>	<u>804,392</u>	<u>190,508,846</u>	<u>13,126,225</u>	<u>41,518,707</u>	<u>3,370,757</u>	<u>411,749,042</u>	
Segment total liabilities	<u>112,376,754</u>	<u>2,045,387</u>	<u>149,750,026</u>	<u>3,273,021</u>	<u>33,256,225</u>	<u>295,907</u>	<u>300,997,320</u>	
<i>Unaudited</i>								
Six months ended 30 June 2016								
Other segment information:								
Depreciation and amortization expense	10,712	870	101,752	4,619	14,297	75,584	207,834	
Capital expenditure	57,003	435	107,902	5,364	38,597	60,106	269,407	

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4. SEGMENT REPORTING *(continued)*

(b) Geographical segments

Revenue

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Mainland, China	13,748,760	14,713,085
Hong Kong, China	1,253,689	1,085,114
Total	15,002,449	15,798,199

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the six months ended 30 June 2017 and 2016.

5. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Securities brokerage and investment consulting business	3,196,539	4,424,623
Underwriting and sponsorship business	1,340,098	1,476,336
Asset management business	889,137	1,368,365
Futures brokerage business	258,780	265,924
Financial advisory business	130,232	202,311
Custodian fee	118,739	46,137
Others	13,482	54,952
Total	5,947,007	7,838,648

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6. INTEREST INCOME

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Margin financing and securities lending	2,585,698	2,741,222
Stock-pledged financing and securities repurchase	1,604,691	1,037,526
Deposit in financial institutions	1,544,951	2,020,534
Other financial assets held under resale agreements	178,295	214,689
Others	17,252	80,337
Total	<u>5,930,887</u>	<u>6,094,308</u>

7. NET INVESTMENT GAINS

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Dividend and interest income		
Financial instruments at fair value through profit or loss	1,103,033	1,329,567
Available-for-sale financial instruments	306,957	426,123
Net realized gains/(losses)		
Available-for-sale financial assets	1,091,621	263,118
Financial instruments at fair value through profit or loss	770,090	172,285
Derivative financial instruments	(79,972)	180,206
Unrealized gains/(losses)		
Financial instruments at fair value through profit or loss	(102,181)	(633,252)
Derivative financial instruments	35,007	127,196
Total	<u>3,124,555</u>	<u>1,865,243</u>

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8. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Government grants ⁽¹⁾	703,987	688,199
Gain on deemed disposal of subsidiaries	26,129	—
Gains on disposal of property and equipment	127	19
Foreign exchange (losses)/gains	(69,193)	7,695
Others	191,968	139,285
Total	<u>853,018</u>	<u>835,198</u>

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

9. FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Securities brokerage and investment consulting business	738,239	871,064
Underwriting and sponsorship business	150,724	112,651
Futures brokerage business	41,359	42,000
Others	52,498	86,792
Total	<u>982,820</u>	<u>1,112,507</u>

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10. INTEREST EXPENSES

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Bonds payable	1,384,366	1,253,554
Financial assets sold under repurchase agreements	716,521	1,360,624
Short-term debt instruments	270,184	325,740
Accounts payable to brokerage customers	184,921	240,983
Placements from other financial institutions	154,611	138,203
Loans and borrowings	125,509	154,059
Securities lending	119,880	29,045
Priority tranche holders of structured entities	89,679	345,202
Gold borrowing	12,514	31,177
Derivative financial instruments	12,639	17,788
Others	821	21,039
Total	3,071,645	3,917,414

11. STAFF COSTS

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Salaries, bonuses and allowances	2,882,663	3,332,452
Contributions to defined contribution schemes	168,357	369,062
Other social welfare	210,288	206,209
Total	3,261,308	3,907,723

The employees of the Group in the Mainland China participate in state-managed retirement benefit schemes operated by the respective local government in the Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

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12. DEPRECIATION AND AMORTIZATION EXPENSES

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Depreciation of property and equipment	172,706	157,135
Amortization of other intangible assets	41,004	33,505
Amortization of long-term deferred expenses	10,229	17,179
Amortization of prepaid land lease payments	15	15
	<hr/>	<hr/>
Total	223,954	207,834
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13. OTHER OPERATING EXPENSES AND COSTS

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Rental expenses	313,435	251,646
Promotion and business development expenses	124,532	81,235
Business travel expenses	103,142	76,878
Administrative and office operating expenses	103,029	81,045
IT expenses	84,708	40,247
Postal and communication expenses	84,202	79,945
Consulting fees	77,247	74,898
Marketing and advertising expenses	68,599	24,853
Stock exchange management fees	45,664	49,053
Securities investor protection funds	44,806	68,484
Fund and asset management scheme distribution expenses	35,477	24,085
Utilities	25,883	26,891
Auditors' remuneration	7,372	4,581
Losses on disposal of property and equipment	592	1,008
Others	258,576	257,901
	<hr/>	<hr/>
Total	1,377,264	1,142,750
	<hr/> <hr/>	<hr/> <hr/>

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14. PROVISION FOR IMPAIRMENT LOSSES

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Available-for-sale financial assets	81,395	594,433
Financial assets held under resale agreements	129,321	46,417
Other non-current assets	23,102	765
Accounts receivable	2,449	—
Other receivable and prepayments	18,085	—
Margin accounts receivable	<u>(34,574)</u>	<u>(53,400)</u>
Total	<u>219,778</u>	<u>588,215</u>

15. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Current tax		
Mainland China income tax	1,238,333	2,075,166
Hong Kong profits tax	139,545	69,564
Deferred tax	<u>195,822</u>	<u>(258,621)</u>
Total	<u>1,573,700</u>	<u>1,886,109</u>

According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Company and the Company’s subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company’s subsidiaries in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period.

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16. DIVIDENDS

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Proposed and paid dividends	<u>(2,973,750)</u>	<u>(3,965,000)</u>
Distribution to other equity instrument holders	<u>(590,000)</u>	<u>(590,000)</u>

Pursuant to the resolution of the meeting of shareholders held on 13 March 2017, the Company distributed cash dividends of RMB3.9 yuan for every 10 shares (tax included) amounting to RMB2,974 million in total for the year ended 31 December 2016.

Pursuant to the resolution of the meeting of shareholders held on 19 May 2016, the Company distributed cash dividends of RMB5.2 yuan for every 10 shares (tax included) amounting to RMB3,965 million in total for the year ended 31 December 2015.

The dividend distribution of the Company triggered the mandatory interest payment event of perpetual subordinated bonds. As at 30 June 2017 and 31 December 2016, the Company has recognized the dividend payable to other equity instrument holders of RMB590 million, respectively.

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17. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are as follows:

	Six months ended 30 June	
	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
Earnings		
Profit attributable to equity holders of the Company	4,756,266	5,020,165
Less: Profit attributable to other equity holders of the Company ⁽¹⁾	295,000	294,192
Profit attributable to ordinary equity holders of the Company	4,461,266	4,725,973
Less: Dilutive effect of a subsidiary's potential ordinary shares ⁽²⁾	2,740	2,650
Adjusted profit attributable to ordinary equity holders of the Company	<u>4,458,526</u>	<u>4,723,323</u>
Shares		
Weighted average number of ordinary shares issue during the period (in thousand)	<u>7,979,822</u>	<u>7,625,000</u>
Earnings per share attributable to ordinary equity holders of the Company (RMB Yuan)		
– Basic ⁽³⁾	<u>0.56</u>	<u>0.62</u>
– Diluted ⁽⁴⁾	<u>0.56</u>	<u>0.62</u>

(1) The Company issued two batches of perpetual subordinated bonds during the year ended 31 December 2015. For the purpose of basic earnings per ordinary share calculations in respect of the six months ended 30 June 2017 and 2016, RMB295 million and RMB294 million attributable to perpetual subordinated bonds were deducted from the profits attributable to equity holders of the Company.

(2) The dilutive effect is due to the share options issued by Guotai Junan International Holdings Limited ("GJIHL"). When calculating the earnings per share, the Company adjusted the numerator (profit or loss attributable to ordinary equity holders of the parent entity) to reflect changes in profit or loss attributable to the parent company as a result of the assumed conversion of these share options into ordinary shares of GJIHL.

(3) Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

(4) Diluted earnings per share is calculated by dividing adjusted profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

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18. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	Construction in progress	Others	Total
Unaudited									
Cost									
As at 1 January 2017	2,912,621	408,063	30,476	1,151,927	17,208	151,445	523,656	74,740	5,270,136
Additions	7,240	40,239	1,020	45,249	513	4,505	156,507	4,623	259,896
Transfers during the period	—	—	—	24,215	—	—	(89,762)	22	(65,525)
Disposals	(3)	(8,125)	(517)	(35,012)	(2)	(3,508)	—	(1,237)	(48,404)
As at 30 June 2017	<u>2,919,858</u>	<u>440,177</u>	<u>30,979</u>	<u>1,186,379</u>	<u>17,719</u>	<u>152,442</u>	<u>590,401</u>	<u>78,148</u>	<u>5,416,103</u>
Accumulated depreciation									
As at 1 January 2017	(560,468)	(235,193)	(12,781)	(686,422)	(11,863)	(106,939)	—	(21,101)	(1,634,767)
Depreciation charge	(50,280)	(29,287)	(1,782)	(80,788)	(602)	(6,172)	—	(3,795)	(172,706)
Disposals	3	7,004	488	33,513	2	3,383	—	1,210	45,603
As at 30 June 2017	<u>(610,745)</u>	<u>(257,476)</u>	<u>(14,075)</u>	<u>(733,697)</u>	<u>(12,463)</u>	<u>(109,728)</u>	<u>—</u>	<u>(23,686)</u>	<u>(1,761,870)</u>
Impairment									
As at 1 January 2017 and 30 June 2017	<u>(92,253)</u>	—	—	—	—	—	—	—	<u>(92,253)</u>
Carrying amount									
As at 30 June 2017	<u>2,216,860</u>	<u>182,701</u>	<u>16,904</u>	<u>452,682</u>	<u>5,256</u>	<u>42,714</u>	<u>590,401</u>	<u>54,462</u>	<u>3,561,980</u>

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18. PROPERTY AND EQUIPMENT (continued)

Audited	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	Construction in progress	Others	Total
Cost									
As at 1 January 2016	2,874,799	370,909	50,779	1,123,916	17,680	149,512	348,656	77,754	5,014,005
Additions	37,822	88,322	1,765	129,743	2,316	10,216	349,412	2,965	622,561
Transfers during the year	—	—	193	32,507	—	—	(174,276)	—	(141,576)
Disposals	—	(51,168)	(22,261)	(134,239)	(2,788)	(8,283)	(136)	(5,979)	(224,854)
As at 31 December 2016	<u>2,912,621</u>	<u>408,063</u>	<u>30,476</u>	<u>1,151,927</u>	<u>17,208</u>	<u>151,445</u>	<u>523,656</u>	<u>74,740</u>	<u>5,270,136</u>
Accumulated depreciation									
As at 1 January 2016	(446,376)	(234,929)	(31,083)	(650,183)	(13,186)	(101,175)	—	(24,095)	(1,501,027)
Depreciation charge	(114,092)	(47,659)	(2,948)	(161,260)	(1,343)	(12,771)	—	(2,393)	(342,466)
Disposals	—	47,395	21,250	125,021	2,666	7,007	—	5,387	208,726
As at 31 December 2016	<u>(560,468)</u>	<u>(235,193)</u>	<u>(12,781)</u>	<u>(686,422)</u>	<u>(11,863)</u>	<u>(106,939)</u>	<u>—</u>	<u>(21,101)</u>	<u>(1,634,767)</u>
Impairment									
As at 1 January 2016									
and 31 December 2016	<u>(92,253)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(92,253)</u>
Net carrying amount									
As at 31 December 2016	<u>2,259,900</u>	<u>172,870</u>	<u>17,695</u>	<u>465,505</u>	<u>5,345</u>	<u>44,506</u>	<u>523,656</u>	<u>53,639</u>	<u>3,543,116</u>

As at 30 June 2017 and 31 December 2016, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB239,571 thousand and RMB239,571, respectively.

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19. PREPAID LAND LEASE PAYMENTS

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Cost		
As at 1 January	<u>876,029</u>	<u>876,029</u>
As at period/year end	<u>876,029</u>	<u>876,029</u>
Accumulated amortization		
As at 1 January	<u>(52,534)</u>	<u>(33,429)</u>
Amortization	<u>(9,553)</u>	<u>(19,105)</u>
As at period/year end	<u>(62,087)</u>	<u>(52,534)</u>
Carrying amount		
As at period/year end	<u><u>813,942</u></u>	<u><u>823,495</u></u>

20. GOODWILL

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Cost	<u>581,407</u>	<u>581,407</u>
Less: Impairment losses	<u>—</u>	<u>—</u>
Carrying amount	<u><u>581,407</u></u>	<u><u>581,407</u></u>

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20. GOODWILL *(continued)*

Impairment testing on goodwill:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 <i>(Audited)</i>
Cost and carrying value		
Unit A – Shanghai Securities Co., Ltd	578,916	578,916
Unit B – Guotai Junan Futures Co., Ltd	2,491	2,491
Total	581,407	581,407

The Company acquired 51% of the equity interest in Shanghai Securities Co., Ltd (“Shanghai Securities”) from Shanghai International Group Co., Ltd. in July 2014. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the cash-generating unit (“CGU”) of Shanghai Securities Co., Ltd.

The Company acquired 100% of the equity interest in Guotai Junan Futures Co., Ltd. from a third party in 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd.

The recoverable amounts of Unit A and Unit B are based on the present value of expected future cash flows. As at 30 June 2017 and 31 December 2016, based on the units’ past performance and management’s expectations for the market development, management believed that it was unlikely the carrying amount of the CGU to exceed its recoverable amount and determined there was no impairment for both CGUs.

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21. OTHER INTANGIBLE ASSETS

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Unaudited					
Cost					
As at 1 January 2017	467,146	207,240	1,066,264	33,241	1,773,891
Additions	55,269	—	—	—	55,269
Disposal	—	—	—	(98)	(98)
As at 30 June 2017	<u>522,415</u>	<u>207,240</u>	<u>1,066,264</u>	<u>33,143</u>	<u>1,829,062</u>
Accumulated amortization					
As at 1 January 2017	(249,088)	(128,079)	—	(1,275)	(378,442)
Amortization	(41,004)	—	—	—	(41,004)
Disposal	—	—	—	12	12
As at 30 June 2017	<u>(290,092)</u>	<u>(128,079)</u>	<u>—</u>	<u>(1,263)</u>	<u>(419,434)</u>
Impairment					
As at 1 January 2017 and 30 June 2017	<u>—</u>	<u>(4,756)</u>	<u>—</u>	<u>(6,252)</u>	<u>(11,008)</u>
Carrying amount					
As at 30 June 2017	<u>232,323</u>	<u>74,405</u>	<u>1,066,264</u>	<u>25,628</u>	<u>1,398,620</u>

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21. OTHER INTANGIBLE ASSETS (continued)

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Audited					
Cost					
As at 1 January 2016	365,145	207,240	1,066,264	33,174	1,671,823
Additions	104,455	—	—	68	104,523
Disposal	(2,454)	—	—	(1)	(2,455)
As at 31 December 2016	<u>467,146</u>	<u>207,240</u>	<u>1,066,264</u>	<u>33,241</u>	<u>1,773,891</u>
Accumulated amortization					
As at 1 January 2016	(180,359)	(128,079)	—	(1,235)	(309,673)
Amortization	(70,457)	—	—	(40)	(70,497)
Disposal	1,728	—	—	—	1,728
As at 31 December 2016	<u>(249,088)</u>	<u>(128,079)</u>	<u>—</u>	<u>(1,275)</u>	<u>(378,442)</u>
Impairment					
As at 1 January 2016 and 31 December 2016	<u>—</u>	<u>(4,756)</u>	<u>—</u>	<u>(6,252)</u>	<u>(11,008)</u>
Net carrying amount					
As at 31 December 2016	<u><u>218,058</u></u>	<u><u>74,405</u></u>	<u><u>1,066,264</u></u>	<u><u>25,714</u></u>	<u><u>1,384,441</u></u>

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22. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in consolidated structured entities

The Group has consolidated certain structured entities including asset management schemes, trust schemes and limited partnerships. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of those structured entities that is of such significance that it indicates that the Group is a principal.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) Interests in unconsolidated structured entities

The Group exercises the power throughout the structured entities including limited partnerships and asset management products by acting as manager or general partner during the period/year. Except for the structured entities the Group has consolidated stated in note 22(a), in management's opinion, the variable returns the Group exposed to over these structured entities that the Group has interest in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as available-for-sale financial assets and financial assets at fair value through profit or loss. As at 30 June 2017 and 31 December 2016, the carrying amounts of the Group's interests in unconsolidated structured entities amounted to RMB 8,761 million and RMB10,925 million, respectively. The management fee arising from these unconsolidated structured entities amounted to RMB461 million and RMB544 million for the periods ended 30 June 2017 and 2016, respectively.

The carrying amounts of interests in unconsolidated structured entities in the consolidated statements of financial position are approximately equal to the maximum exposure to the loss of interests held by the Group in the unconsolidated structured entities.

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23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Share of net assets		
– Associates	429,437	431,685
– Joint ventures	952,227	829,655
Total	<u>1,381,664</u>	<u>1,261,340</u>

At the end of each reporting period, the Group has the following associates and joint ventures:

Name of associates and joint ventures	Place of incorporation	Issued capital (Expressed in yuan)	Principal activities	Percentage of equity interest	
				As at 30 June 2017	As at 31 December 2016
Associates:					
Anhui Guozhen Group Co., Ltd.	PRC	RMB82,810,000	Environmental industry, real estate and power industry	25%	25%
Anhui Panguhongye Equity Investment Centre LLP	PRC	RMB30,300,000	Investment and financing	33%	33%
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	PRC	RMB400,000,000	Investment management and advisory	25%	25%
Shenzhen GTJA Leading Junding Phase 1 Investment Fund LLP	PRC	RMB130,000,000	Investment management and advisory	38%	38%
Yingtanshi GTJA Chuangtuo longxin Equity Investment Centre LLP	PRC	RMB169,181,800	Investment management and advisory	18%	18%

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23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

At the end of each reporting period, the Group has the following associates and joint ventures: (continued)

Name of associates and joint ventures	Place of incorporation	Issued capital (Expressed in yuan)	Principal activities	Percentage of equity interest	
				As at 30 June 2017	As at 31 December 2016
Joint ventures:					
GTJA Shenyi (Shenzhen) Funds Management Co., Ltd ⁽¹⁾	PRC	RMB20,000,000	Investment management and advisory	51%	51%
Shenzhen GTJA Leading Investment Management Co., Ltd ⁽¹⁾	PRC	RMB15,000,000	Investment management and advisory	51%	51%
Xiamen GTJA Jianfa Equity Investment Company LLP	PRC	RMB200,100,000	Investment management and advisory	10%	10%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	PRC	RMB200,000,000	Investment management and advisory	25%	25%
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	PRC	RMB500,000,000	Investment management and advisory	20%	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP ⁽¹⁾	PRC	RMB1,000,200,000	Investment management and advisory	55%	55%
Shanghai North Industries GTJA Investment Management Co., Ltd	PRC	RMB10,000,000	Investment management and advisory	40%	40%
Shanxi GTJA Chuangtou Equity Investment Company LLP	PRC	RMB200,000,000	Investment management and advisory	30%	30%
Shanghai GTJA Haojing Investment Management Co., Ltd	PRC	RMB10,000,000	Investment management and advisory	50%	50%
Shanghai Junzheng Investment Management Co., Ltd ⁽¹⁾	PRC	RMB10,000,000	Investment management and advisory	51%	51%
Shanghai Guojun Chuangtou Longzhang Investment Management Centre LLP	PRC	RMB233,000,000	Investment management and advisory	17%	—
Shanghai Guojun Chuangtou Longbo Investment Management Centre LLP	PRC	RMB139,400,000	Investment management and advisory	18%	—
Shanghai Guojun Chuangtou Zhengjun No.2 Equity Investment LLP	PRC	RMB100,010,000	Investment management and advisory	25%	—
Shanghai Guojun Chuangtou Zhengjun No.4 Equity Investment LLP	PRC	RMB66,000,000	Investment management and advisory	40%	—

(1) Although the Group's percentages of shareholding in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control of these investees due to relevant arrangements stipulated in the articles of association or other agreements.

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23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	<i>(Unaudited)</i>
Share of associates' profit for the period	5,107	7,545
Share of joint ventures' profit for the period	9,879	43,652
Total	14,986	51,197
	Six months ended 30 June	
	2017	2016
	(Unaudited)	<i>(Unaudited)</i>
Share of associates' total comprehensive income for the period	4,601	21,525
Share of joint ventures' total comprehensive income for the period	25,154	45,452
Total	29,755	66,977
	As at	As at
	30 June	31 December
	2017	2016
	(Unaudited)	<i>(Audited)</i>
Aggregate carrying amount of the Group's investments in associates	429,437	431,685
Aggregate carrying amount of the Group's investments in joint ventures	952,227	829,655

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24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Non-current		
At fair value:		
– Equity securities ⁽²⁾⁽³⁾	7,354,989	7,371,627
– Funds ⁽²⁾⁽³⁾	139,137	144,742
– Debt securities	5,192,249	4,195,794
– Contribution to designated accounts at China Securities Finance Corporation Limited ⁽¹⁾	12,841,956	15,964,176
– Other investments ⁽²⁾⁽⁴⁾	7,239,567	9,394,943
At cost:		
– Equity securities	2,192,587	2,159,969
Less: Impairment losses	<u>(611,947)</u>	<u>(592,611)</u>
Total	<u>34,348,538</u>	<u>38,638,640</u>
Analyzed as:		
Listed in Hong Kong	2,428,594	2,104,388
Listed outside Hong Kong	5,704,414	6,553,649
Unlisted	<u>26,215,530</u>	<u>29,980,603</u>
Total	<u>34,348,538</u>	<u>38,638,640</u>
Current		
At fair value:		
– Debt securities	<u>1,526,005</u>	1,842,582
Total	<u>1,526,005</u>	<u>1,842,582</u>
Analyzed as:		
Listed outside Hong Kong	210,706	—
Listed inside Hong Kong	69,542	—
Unlisted	<u>1,245,757</u>	1,842,582
Total	<u>1,526,005</u>	<u>1,842,582</u>

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24. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

- (1) As at 30 June 2017 and 31 December 2016, the non-current available-for-sale financial assets included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited (“CSFC”). Under the relevant agreements with CSFC, the Company contributed a total amount of RMB17,014 million in July and September 2015. CSFC managing operation and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. It is unclear how CSFC will invest the funds contributed and when the investment will be returned. As at 30 June 2017, the cost and the fair value of the Company’s contribution were RMB12,688 million and RMB12,842 million respectively based on the investment account statement provided by CSFC. Considering the nature and purpose of this investment, its difference from the Group’s proprietary stock investment, and uncontrollable timing for recovery, the Group considers the threshold for the determination of impairment for this investment to be the fair value below the cost by more than 50% or for a continuous period of more than thirty six months. Management is of the view that there is no objective evidence of impairment with significant or prolonged decline in the fair value of this investment as at 30 June 2017.
- (2) As at 30 June 2017 and 31 December 2016, the listed equity securities of the Group included approximately RMB1,791 million and RMB1,517 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair value of the securities is determined by reference to the quoted market prices and discounted to reflect the effect of the restriction.

As at 30 June 2017 and 31 December 2016, the collective asset management schemes with lock-up periods held by the Group amounted to approximately RMB740 million and RMB225 million, respectively.

As at 30 June 2017 and 31 December 2016, the Group entered into securities lending arrangements with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB348 million and RMB436 million to external clients, respectively. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.

As at 30 June 2017, the Group entered into placement and securities borrowing arrangements with China Securities Finance Co., Ltd. that resulted in the transfer of available-for-sale investments with total fair value of RMB204 million. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.

- (3) The fair value of collateral for the securities lending business is analyzed in note 32 together with the fair value of collateral of the margin financing business.
- (4) Other investments mainly represent investments in asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) and assets-back securities managed by non-bank financial institutions.

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25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Non-current		
Equity securities	26,635,457	23,858,208
Precious metals	—	26,950
Less: Impairment losses	(146,505)	(279,733)
Total	<u>26,488,952</u>	<u>23,605,425</u>
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current		
Equity securities	42,463,388	30,111,995
Funds	716	2,209
Debt securities	13,078,663	8,492,422
Precious metals	2,253,262	1,265,611
Less: Impairment losses	(528,799)	(266,284)
Total	<u>57,267,230</u>	<u>39,605,953</u>

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25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(b) Analyzed by market:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 <i>(Audited)</i>
Non-current		
Stock exchanges	26,635,457	23,858,208
Over the counter	—	26,950
Less: Impairment losses	(146,505)	<i>(279,733)</i>
Total	<u>26,488,952</u>	<u>23,605,425</u>
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 <i>(Audited)</i>
Current		
Stock exchanges	43,745,429	30,684,535
Interbank market	9,929,677	6,166,931
Over the counter	4,120,923	3,020,771
Less: Impairment losses	(528,799)	<i>(266,284)</i>
Total	<u>57,267,230</u>	<u>39,605,953</u>

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26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Non-current		
Designated as at fair value through profit or loss:		
Equity securities	100,352	—
Funds	45,164	46,247
Total	<u>145,516</u>	<u>46,247</u>
Analyzed as:		
Listed outside Hong Kong	100,352	—
Unlisted	45,164	46,247
Total	<u>145,516</u>	<u>46,247</u>
	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Current		
Held for trading:		
Equity securities ⁽¹⁾	6,862,966	6,292,979
Funds	14,092,145	13,064,423
Debt securities	47,150,604	43,219,996
Other investments ⁽²⁾	2,775,668	4,291,577
Designated as at fair value through profit or loss:		
Equity securities	1,098,279	1,151,682
Funds	10,093,167	7,428,325
Debt securities	1,606,450	1,228,009
Total	<u>83,679,279</u>	<u>76,676,991</u>
Analyzed as:		
Listed in Hong Kong	1,657,379	2,486,731
Listed outside Hong Kong	31,349,838	22,860,700
Unlisted ⁽³⁾	50,672,062	51,329,560
Total	<u>83,679,279</u>	<u>76,676,991</u>

Section X Interim Condensed Consolidated Financial Statements

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

- (1) As at 30 June 2017, the Group entered into placement and securities borrowing arrangements with China Securities Finance Co., Ltd. that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB1,849 million. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.
- (2) Other investments mainly represent investments in wealth management products issued by banks, precious metal and perpetual bonds.
- (3) Unlisted securities mainly comprise debt securities traded on the Interbank Bond Market.

27. REFUNDABLE DEPOSITS

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Deposits with exchanges and other financial institutions:		
Futures business	6,491,048	8,282,456
Trading business	542,157	650,084
Credit business	413,683	778,889
Others	34,952	31,452
Total	<u>7,481,840</u>	<u>9,742,881</u>

28. DEFERRED TAX

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

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Deferred tax assets	319,371	762,365
Deferred tax liabilities	(87,825)	(103,920)
Total	<u>231,546</u>	<u>658,445</u>

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28. DEFERRED TAX (continued)

The following are the major deferred tax assets and liabilities recognized and movements thereon in the year 2016 and the six months ended 30 June 2017:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Fair value revaluation on acquisition of subsidiaries	Others	Total
As at 1 January 2016	268,176	1,176,592	(980,875)	(470,988)	(25,079)	(32,174)
Recognized in profit or loss	170,546	14,887	124,738	9,334	56,107	375,612
Recognized in other comprehensive income	—	—	317,478	—	(2,471)	315,007
As at 31 December 2016	438,722	1,191,479	(538,659)	(461,654)	28,557	658,445
Recognized in profit or loss	30,227	(277,262)	(35,621)	4,667	82,167	(195,822)
Recognized in other comprehensive income	—	—	(227,385)	—	(3,692)	(231,077)
As at 30 June 2017	<u>468,949</u>	<u>914,217</u>	<u>(801,665)</u>	<u>(456,987)</u>	<u>107,032</u>	<u>231,546</u>

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

29. OTHER NON-CURRENT ASSETS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Prepayments ⁽¹⁾	1,233,070	1,212,971
Advances to be recovered from the lawsuit	256,037	256,037
Long-term deferred expenses ⁽²⁾	57,396	57,515
Term loan	26,038	224,950
Others	560,585	579,019
Less: Impairment losses ⁽³⁾	(668,301)	(660,699)
Total	<u>1,464,825</u>	<u>1,669,793</u>

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29. OTHER NON-CURRENT ASSETS *(continued)*

(1) The details of prepayments are shown below:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 <i>(Audited)</i>
Prepaid equity investments ⁽ⁱ⁾	660,802	640,703
Prepaid construction expenditure ⁽ⁱⁱ⁾	572,268	572,268
Total	1,233,070	1,212,971

(i) Prepaid equity investments

It mainly represents the prepayment made for the acquisition of interests in Hua An Fund Management Co., Ltd. In April 2014, as approved by the Board of Directors, GTJA Innovation Investment Co., Ltd. ("GTJA Innovation Investment") entered into an agreement with Shanghai Electric Group Corp. ("Shanghai Electric") to purchase a 20% equity interest in Hua An Fund Management Co., Ltd. from Shanghai Electric, at a consideration of RMB600.1 million. As at 29 September 2015, 30 July 2016 and 12 January 2017, GTJA Innovation Investment and Shanghai Electric entered into three supplementary agreements to extend the agreement to 30 September 2017 with an additional payment.

As at 30 June 2017 and 31 December 2016, GTJA Innovation Investment has paid according to the agreements, amounts of RMB660.8 million and RMB640.7 million respectively. As at 30 June 2017, this transaction was subject to the CSRC's approval.

(ii) Prepaid construction expenditure

On 16 October 2013, the Company entered into an agreement with Shanghai Bund & Riverside Comprehensive Development Co., Ltd. ("Bund & Riverside Development"). According to this agreement, the Company agreed to purchase one of the six properties to be developed by Bund & Riverside Development, on a land lot located at Huangpu District, Shanghai, provided that Bund & Riverside Development acquired this land use right at auction. Bund & Riverside Development obtained the land use right on 12 December 2013. The consideration includes land cost, construction cost, allocated expenses, and etc. As of 30 June 2017 and 31 December 2016, the prepayment for this project amounted to RMB572.3 million.

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29. OTHER NON-CURRENT ASSETS (continued)

(2) The movements of long-term deferred expenses are as below:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Balance at the beginning of the period/year	57,515	44,420
Increase	10,110	22,203
Decrease	<u>(10,229)</u>	<u>(9,108)</u>
Balance at the end of the period/year	<u>57,396</u>	<u>57,515</u>

(3) Analysis of the movements of provision for impairment losses:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
At the beginning of the period/year	660,699	560,356
Charge for the period/year	23,102	100,354
Amounts written off	<u>(15,500)</u>	<u>(11)</u>
At the end of the period/year	<u>668,301</u>	<u>660,699</u>

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30. ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Accounts receivable from:		
– Brokers and dealers	3,643,239	1,179,862
– Fee and commission	645,488	592,564
– Fund management fee	36,118	63,279
– Cash and custodian clients	123,112	32,307
– Settlement	242,625	35,640
Less: Impairment losses	<u>(14,725)</u>	<u>(12,276)</u>
Total	<u><u>4,675,857</u></u>	<u><u>1,891,376</u></u>

(b) Analyzed by aging:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Within 1 year	<u><u>4,675,857</u></u>	<u><u>1,891,376</u></u>

(c) Analysis of the movement of provision for impairment losses:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
At the beginning of the period/year	12,276	11,464
Charge for the period/year	<u>2,449</u>	<u>812</u>
At the end of the period/year	<u><u>14,725</u></u>	<u><u>12,276</u></u>

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31. OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Interest receivable	2,673,594	2,475,654
Term loans	641,097	892,709
Debt Instruments classified as receivables	139,896	571,670
Deposit	114,895	112,372
Prepayment for expenses	105,209	171,865
Dividends receivable	81,798	20,478
Prepayments	63,933	42,243
Others	203,077	216,411
Less: Impairment losses	(18,085)	—
Total	4,005,414	4,503,402

Analysis of the movement of provision for impairment losses:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
At the beginning of the period/year	—	—
Charge for the period/year	18,085	—
At the end of the period/year	18,085	—

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32. MARGIN ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Individuals	52,643,265	57,737,496
Institutions	10,790,346	11,453,791
Less: Impairment losses	(263,928)	(298,502)
Total	<u>63,169,683</u>	<u>68,892,785</u>

(b) Analysis of the movements of provision for impairment losses:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
At the beginning of the period/year	298,502	281,016
Charge for the period/year	(34,574)	17,486
At the end of the period/year	<u>263,928</u>	<u>298,502</u>

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Fair value of collateral:		
– Equity securities	202,343,174	217,419,588
– Cash	8,197,313	8,635,462
Total	<u>210,540,487</u>	<u>226,055,050</u>

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33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2017		
	Nominal amount	Fair value	
		Assets	Liabilities
Unaudited			
Interest rate derivatives			
– Treasury futures	5,784,889	10,426	—
– Interest rate swap	95,646,394	3,909	(137,412)
Currency derivatives			
– Currency swaps	6,579,614	26,715	(34,251)
– Foreign exchange forward	987,255	38,691	(91)
Equity derivatives			
– Stock index futures	2,569,737	23,235	(56,291)
– Forward contract	761,050	2,679	(13,757)
– Stock options	3,954,576	61,404	(41,703)
– Over-the-counter options	57,095	797	(1,173)
Others			
– Precious metal futures	3,605,895	—	(32,827)
– Au (T+D)	903,345	13,031	—
– Commodity futures	393,861	—	(11,499)
– Others	76,374	1,545	(8,648)
Less: Cash (received)/paid as settlement		(46,692)	200,347
Total		135,740	(137,305)

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33. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Audited	As at 31 December 2016		
	Nominal amount	Fair value Assets	Liabilities
Interest rate derivatives			
– Treasury futures	1,513,195	3,116	—
– Interest rate swap	70,871,213	12,868	(145,065)
Currency derivatives			
– Currency swaps	2,114,081	40,589	(49,027)
– Foreign exchange forward	989,574	1,951	(17,301)
Equity derivatives			
– Stock index futures	2,106,678	74	(12,469)
– Forward contract	2,785,769	8,163	(121,280)
– Stock options	7,267,246	111,853	(68,901)
Others			
– Precious metals futures	4,256,463	39,053	—
– Au (T+D)	1,621,405	—	(4,864)
– Commodity futures	814,064	—	(10,129)
Less: Cash (received)/paid as settlement		(42,243)	138,536
Total		<u>175,424</u>	<u>(290,500)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, precious metals futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

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34. CLEARING SETTLEMENT FUNDS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	1,478,685	1,367,523
– Others	22,311	411,857
Total	1,500,996	1,779,380

As at 30 June 2017 and 31 December 2016, the Group's clearing settlement funds of RMB28 million and RMB30 million, respectively, were restricted.

35. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the ground that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

36. CASH AND BANK BALANCES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Cash on hand	669	780
Bank balances	17,050,274	27,942,327
Total	17,050,943	27,943,107

As at 30 June 2017 and 31 December 2016, the Group's bank balances of RMB554 million and RMB710 million, respectively, were restricted.

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37. CASH AND CASH EQUIVALENTS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Cash on hand	669	737
Bank balances	17,050,274	17,927,612
Clearing settlement funds	1,500,996	1,719,417
Financial assets held under resale agreements with original maturity of less than three months	11,820,150	14,315,531
Less: Bank deposits with original maturity of more than three months, risk reserve deposits, restricted bank balances and clearing settlement funds	<u>(2,815,800)</u>	<u>(4,536,067)</u>
Total	<u><u>27,556,289</u></u>	<u><u>29,427,230</u></u>

38. LOANS AND BORROWINGS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current		
Unsecured loans and borrowings (1)	<u>6,533,972</u>	<u>6,262,230</u>
Total	<u><u>6,533,972</u></u>	<u><u>6,262,230</u></u>
Non-current		
Unsecured loans and borrowings (2)	<u>—</u>	<u>1,878,471</u>
Total	<u><u>—</u></u>	<u><u>1,878,471</u></u>

(1) As at 30 June 2017 and 31 December 2016, the current unsecured loans and borrowings of the Group were repayable within one year, bearing interest rates ranging from 1.41% to 4.80% and from 1.74% to 4.8%, respectively.

(2) As at 31 December 2016, the non-current unsecured loans and borrowings of the Group were repayable within a period of more than one year but not exceeding two years, bearing interest rates of 2.67%.

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39. SHORT-TERM DEBT INSTRUMENTS

Unaudited	Nominal interest rate	Balance as at			Balance as at
		1 January 2017	Increase	Decrease	30 June 2017
Short-term financing bills payable	2.75%-2.90%	6,000,000	—	(6,000,000)	—
Medium-term notes	0.90%	57,606	42,094	(57,606)	42,094
Short-term corporate bonds	4.30%-4.88%	—	5,999,876	—	5,999,876
Structured notes	2.90%-6.66%	8,789,980	10,016,270	(12,563,380)	6,242,870
Total		<u>14,847,586</u>	<u>16,058,240</u>	<u>(18,620,986)</u>	<u>12,284,840</u>

Audited	Nominal interest rate	Balance as at			Balance as at
		1 January 2016	Increase	Decrease	31 December 2016
Short-term financing bills payable	2.48%-3.15%	1,298,954	25,000,000	(20,298,954)	6,000,000
Medium-term notes	0.90%	260,566	123,212	(326,172)	57,606
Structured notes	2.90%-6.66%	759,950	13,054,150	(5,024,120)	8,789,980
Total		<u>2,319,470</u>	<u>38,177,362</u>	<u>(25,649,246)</u>	<u>14,847,586</u>

40. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Placements from China Securities Finance Co., Ltd. (1)	6,550,000	4,700,000
Placements from banks (2)	1,000,000	—
Total	<u>7,550,000</u>	<u>4,700,000</u>

(1) As at 30 June 2017 and 31 December 2016, placements from China Securities Finance Co., Ltd. were repayable within one year, bearing annual interest rates of 4.50% and from 3.00% to 3.20%, respectively.

(2) As at 30 June 2017, placements from banks were repayable within one year, bearing annual interest rates ranging from 3.90% to 4.80%, per annum.

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41. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Margin financing and securities lending deposits	11,249,830	11,965,276
Other brokerage business deposits	87,908,736	100,991,414
Total	99,158,566	112,956,690

Accounts payable to brokerage customers mainly include money held on behalf of customers in the banks and clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage customers represent monies received from customers for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

42. EMPLOYEE BENEFITS PAYABLE

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current		
Salaries, bonuses and allowances	4,611,589	5,874,042
Contributions to defined contribution schemes	20,844	14,300
Social welfare and others	391,216	380,823
Total	5,023,649	6,269,165
Non-current		
Salaries, bonuses and allowances	622,458	631,789
Total	622,458	631,789

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43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current		
Bonds	30,712,486	18,661,203
Margin accounts receivable-backed repurchase	7,450,000	14,800,000
Funds	3,002,043	3,605,049
Precious metal	3,123,053	2,625,218
Total	<u>44,287,582</u>	<u>39,691,470</u>
Non-current		
Margin accounts receivable-backed repurchase	3,000,000	—
Precious metal	—	26,950
Total	<u>3,000,000</u>	<u>26,950</u>

(b) Analyzed by market:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current		
Interbank market	13,944,631	10,105,829
Stock exchanges	19,769,898	12,160,423
Over the counter	10,573,053	17,425,218
Total	<u>44,287,582</u>	<u>39,691,470</u>

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43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS *(continued)*

(b) Analyzed by market: *(continued)*

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 <i>(Audited)</i>
Non-current		
Over the counter	3,000,000	26,950
Total	3,000,000	26,950

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 <i>(Audited)</i>
Current		
Held for trading (1)		
– Debt securities	6,654,020	7,744,920
– Gold	1,930,907	—
Designated as at fair value through profit or loss		
– Debt securities (2)	13,609,307	8,573,419
Total	22,194,234	16,318,339
Non-current		
Designated as at fair value through profit or loss		
– Interest attributable to other holders of consolidated structured entities (3)	197,194	197,017
Total	197,194	197,017

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

- (1) As at 30 June 2017 and 31 December 2016, included in the Group's financial liabilities held for trading through profit or loss were bonds and gold borrowed by the Group.
- (2) As at 30 June 2017 and 31 December 2016, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.
- (3) As at 30 June 2017 and 31 December 2016, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

45. BONDS PAYABLE

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Current		
Corporate bonds (1)	99,750	3,099,568
Subordinated bonds (1)	13,637,484	12,356,678
Structured notes	—	1,700,000
Total	13,737,234	17,156,246
Non-current		
Corporate bonds (1)	26,320,531	26,383,076
Subordinated bonds (1)	22,397,124	28,599,443
Structured notes	—	600,000
Total	48,717,655	55,582,519

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45. BONDS PAYABLE (continued)

(1) The details of the outstanding bonds payable are as follows:

As at 30 June 2017

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate Bonds				
MTN 34	50,000	2015.7	2017.7	4.10%
MTN 35	50,000	2015.7	2017.7	4.10%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.7	2017.7	6.00%
14 GUOJUN 05	3,000,000	2014.9	2017.9	6.10%
14 GUOJUN 06	5,000,000	2014.12	2017.12	5.40%
14 Shanghai Securities 01(i)	450,000	2014.9	2017.9	4.80%
14 Shanghai Securities 02(i)	908,000	2014.9	2017.9	5.30%
15 Shanghai Securities 02(xi)	1,279,850	2015.4	2018.4	5.00%
Non-current				
Corporate Bonds				
GUOTAI FH B1905(ii)	3,059,553	2014.5	2019.5	3.625%
15 GUOJUN G1(iii)	5,000,000	2015.11	2020.11	3.60%
15 GUOJUN G2(iv)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G1(v)	5,000,000	2016.4	2021.4	2.97%
16 GUOJUN G2(vi)	1,000,000	2016.4	2023.4	3.25%
16 GUOJUN G3(vii)	5,000,000	2016.8	2021.8	2.90%
16 GUOJUN G4	3,000,000	2016.8	2021.8	3.14%
16 GUOJUN G5(viii)	3,000,000	2016.9	2021.9	2.94%
Subordinated Bonds				
16 GUOJUN C1(xii)	5,000,000	2016.7	2020.7	3.30%
16 GUOJUN C2(xiii)	4,000,000	2016.10	2020.10	3.14%
16 GUOJUN C3	3,000,000	2016.11	2019.11	3.34%
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%
17 GUOZI01	1,000,000	2017.5	2020.5	4.60%
17 GUOJUN C1	5,000,000	2017.2	2020.2	4.60%
17 Shanghai Securities C1	1,400,000	2017.5	2020.5	5.30%

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45. BONDS PAYABLE (continued)

(1) The details of the outstanding bonds payable are as follows: (continued)

As at 31 December 2016

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate Bonds				
11 GTJA Bond	3,000,000	2011.1	2017.1	5.50%
MTN 34	50,000	2015.7	2017.7	4.10%
MTN 35	50,000	2015.7	2017.7	4.10%
Subordinated Bonds				
13 GTJA Bond	3,000,000	2013.7	2017.7	6.00%
14 GUOJUN 05	3,000,000	2014.9	2017.9	6.10%
14 GUOJUN 06	5,000,000	2014.12	2017.12	5.40%
14 Shanghai Securities 01(i)	450,000	2014.9	2017.9	4.80%
14 Shanghai Securities 02(i)	908,000	2014.9	2017.9	5.30%
Non-current				
Corporate Bonds				
GUOTAI FH B1905(ii)	3,059,553	2014.5	2019.5	3.625%
15 GUOJUN G1(iii)	5,000,000	2015.11	2020.11	3.60%
15 GUOJUN G2(iv)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G1(v)	5,000,000	2016.4	2021.4	2.97%
16 GUOJUN G2(vi)	1,000,000	2016.4	2023.4	3.25%
16 GUOJUN G3(vii)	5,000,000	2016.8	2021.8	2.90%
16 GUOJUN G4	3,000,000	2016.8	2021.8	3.14%
16 GUOJUN G5(viii)	3,000,000	2016.9	2021.9	2.94%
Subordinated Bonds				
15 GUOJUN C1(ix)	10,000,000	2015.4	2018.4	5.70%
15 Shanghai Securities 01(x)	1,500,000	2015.3	2018.3	6.00%
15 Shanghai Securities 02(xi)	2,100,000	2015.4	2018.4	6.00%
16 GUOJUN C1(xii)	5,000,000	2016.7	2020.7	3.30%
16 GUOJUN C2(xiii)	4,000,000	2016.10	2020.10	3.14%
16 GUOJUN C3	3,000,000	2016.11	2019.11	3.34%
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%

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45. BONDS PAYABLE *(continued)*

- (1) The details of the outstanding bonds payable are as follows: *(continued)*
- (i) In September 2014, Shanghai Securities issued a 3-year subordinated bond with par value of RMB1.5 billion. The bond includes two tranches. Tranche one is fully secured by China National Investment & Guaranty Corporation, bearing an annual interest rate of 5.80% payable on an annual basis, tranche two is unsecured subordinated bonds, bearing a fixed annual interest rate of 6.30% payable on annual basis. At the end of the first year, the issuer has an option to adjust the interest rate and the investors have a redemption option. In September 2015, a total amount of RMB142 million of tranche two was redeemed as a result of the exercise of the redemption option by investors. The interest rate of tranche one and tranche two have been decreased by issuer for 100bps to 4.80% and 5.30%, respectively.
 - (ii) In May 2014, Guotai Junan Financial Holding Limited (BVI Co.) issued a 5-year credit enhancement bond with a par value of USD500 million. The bond is listed on the Hong Kong Stock Exchange with the bond code of 5754 and bears a fixed annual interest rate of 3.625% payable on a semi-annual basis.
 - (iii) In November 2015, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears a fixed annual interest rate of 3.60% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.
 - (iv) In November 2015, as approved by the CSRC, the Company issued a 7-year corporate bond with par value of RMB1 billion. The bond bears a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the fifth year.
 - (v) In April 2016, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears an annual interest rate of 2.97% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.
 - (vi) In April 2016, as approved by the CSRC, the Company issued a 7-year corporate bond with par value of RMB1 billion. The bond bears an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the fifth year.

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45. BONDS PAYABLE *(continued)*

- (1) The details of the outstanding bonds payable are as follows: *(continued)*
- (vii) In August 2016, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB5 billion. The bond bears a fixed annual interest rate of 2.90% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.
 - (viii) In September 2016, as approved by the CSRC, the Company issued a 5-year corporate bond with par value of RMB3 billion. The bond bears a fixed annual interest rate of 2.94% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed in the remaining two years. The Company has an option to redeem and the investors have an option to put back the bond at the end of the third year.
 - (ix) In April 2015, as approved by the CSRC, the Company issued a 3-year subordinated bond with par value of RMB10 billion. The bond bears an annual interest rate of 5.70% payable on an annual basis. The issuer has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps. In April 2017, the redemption option was exercised.
 - (x) In March 2015, Shanghai Securities issued a 3-year subordinated bond with par value of RMB1.5 billion. The bond bears a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has a right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year. In March 2017, the redemption option was exercised.
 - (xi) In April 2015, Shanghai Securities issued a 3-year subordinated bond with par value of RMB2.1 billion. The bond bears a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has a right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year. In March 2017, part of the investors exercised the redemption option. The total amount is RMB0.82 billion. The nominal interest rate of the subordinated bond decreased to 5.00% by 100 bps.
 - (xii) In July 2016, as approved by the CSRC, the Company issued a 4-year subordinated bond with par value of RMB5 billion. The bond bears an annual interest rate of 3.30% payable on an annual basis. The issuer has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps.

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45. BONDS PAYABLE *(continued)*

(1) The details of the outstanding bonds payable are as follows: *(continued)*

(xiii) In October 2016, as approved by the CSRC, the Company issued a 4-year subordinated bond with par value of RMB4 billion. The bond bears an annual interest rate of 3.14% payable on an annual basis. The issuer has an option to redeem the bond at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bond will increase by 300 bps.

46. OTHER CURRENT LIABILITIES

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Payables to priority tranche holders of structured entities	2,553,845	3,073,961
Interest payable	1,941,251	1,814,357
Accounts payable to brokers	1,419,356	347,145
Advance received from disposal of a subsidiary (1)	1,045,000	—
Dividends payable	754,002	769,969
Business tax and other tax payable	740,669	1,221,960
Underwriting fee payable in relation to A+H share IPO	479,771	312,881
Accounts payable arising from derivative brokerage	212,519	279,290
Settlement payables	185,507	217,444
Proceeds from underwriting securities received on behalf of customers	168,131	9,922,296
Advance received from issuance of financial product	99,622	—
Dividend received on behalf of customers	98,633	—
Payable for Shenzhen Stock Exchange's membership management fee	48,000	—
Payables for the securities investor protection fund	44,456	54,754
Distribution expense payable	34,279	34,055
Payable for a construction project	—	65,647
Others	583,701	556,929
Total	10,408,742	18,670,688

(1) The amount represents advance received from disposal of the Company's interests in GTJA Allianz Funds Co., Ltd (hereinafter referred as "GTJA Allianz Funds"). As of 30 June 2017, the transaction has not been completed and is subject to the regulator's approval.

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47. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Payables to priority tranche holders of structured entities	2,041,866	2,676,064
Risk reserve for futures brokerage business	112,356	106,537
Provision	32,113	32,113
Total	2,186,335	2,814,714

48. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1 yuan. The Company's number of shares issued and their nominal value are as follows:

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Registered, issued and fully paid ordinary shares of RMB1 yuan each:		
At the beginning of the period/year	7,625,000	7,625,000
Issuance of shares (1)	1,088,934	—
At the end of the period/year	8,713,934	7,625,000

- (1) In April 2017, the Company listed on the Stock Exchange and issued 1,040,000,000 HKD-denominated ordinary shares to the public and the issue price is HKD15.84 per share. In May 2017, the Company additionally issued 48,933,800 HKD-denominated ordinary shares to the public upon the exercise of over-allotment options and the issue price is HKD15.84 per share. Total proceeds from the issuance of those shares were approximately RMB15,301 million

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49. OTHER EQUITY INSTRUMENTS

On 22 January 2015, the Company issued the first batch of perpetual subordinated bonds amounting to RMB5 billion with an initial interest rate of 6.00%. On 3 April 2015, the Company issued the second batch of perpetual subordinated bonds amounting to RMB5 billion with an initial interest rate of 5.80% (collectively referred to as “Perpetual Subordinated Bonds”).

The Perpetual Subordinated Bonds have no fixed maturity date. The Company has an option to redeem them at their principal amounts plus any accrued interests, on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bond is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The Perpetual Subordinated Bonds issued by the Company are classified as equity instruments and presented under equity in the consolidated statement of financial position.

As at 30 June 2017 and 31 December 2016, the Group recognized dividends payable to holders of Perpetual Subordinated Bonds amounting to RMB590 million (note 16), respectively.

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50. RESERVES AND RETAINED PROFITS

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(2) Investment revaluation reserve

The movements of the investment revaluation reserve of the Group are set out below:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
At the beginning of the period/year	346,532	1,337,817
Available-for-sale financial assets		
Net changes in fair value during the period/year	1,999,064	(1,305,140)
Reclassified to profit or loss on disposal	(1,044,605)	(725,656)
Reclassified to profit or loss on impairment	64,367	725,566
Share of other comprehensive income of associates and joint ventures	14,768	9,882
Income tax impact	(243,131)	304,063
At the end of the period/year	<u>1,136,995</u>	<u>346,532</u>

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

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50. RESERVES AND RETAINED PROFITS *(continued)*

(4) Surplus reserve

The surplus reserve includes statutory surplus reserve and discretionary surplus reserve.

Pursuant to the “Company Law of the People’s Republic of China”, articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, expand the production and operation, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

(5) General reserve

The general reserve includes the general risk reserve and the transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities’ trading losses, the Company appropriates 10% of its annual net profit to the transaction risk reserve.

(6) Retained profits

The movements of retained profits are set out below:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
At the beginning of the period/year	34,557,357	31,937,998
Profit for the period/year	4,756,266	9,841,417
Appropriation to surplus reserve	—	(739,778)
Appropriation to general reserve	—	(1,928,745)
Dividends	(2,973,750)	(3,965,000)
Distribution to other equity instrument holders	(590,000)	(590,000)
Others	—	1,465
At the end of the period/year	35,749,873	34,557,357

Section X Interim Condensed Consolidated Financial Statements

51. COMMITMENTS

(1) Capital commitments

In June 2014, the Company commenced its self-used office buildings construction project on No. 49 land lot in Jingan District, Shanghai, after obtaining the relevant permit. The project expects to be completed in 3 years, with a total budget of RMB1.6 billion, of which RMB748 million is the development cost and RMB876 million is the land cost. This budget has been approved in the 5th meeting of the 4th term of the board of directors. In August 2016, the adjustment of budget amounting to RMB1,879 million has been approved in the 2nd meeting of the 5th term of the board of directors. As at 30 June 2017 and 31 December 2016, the accumulated amounts paid by Shanghai Guoxiang Real Estate Co., Ltd were RMB1,269 million and RMB1,139 million, respectively.

On 16 October 2013, the Company entered into an agreement with Bund & Riverside Development. According to this agreement, the Company agreed to purchase one of the 6 properties to be developed by Bund & Riverside Development on a land lot located at Huangpu District, Shanghai, provided that Bund & Riverside Development acquired this land use right at auction. The consideration includes land cost, construction cost, allocated expenses, and etc. Bund & Riverside Development obtained the land use right in December 2013. The budget for this project is RMB1.18 billion, which was approved in the 10th meeting of the 4th term of the board of directors. As at 30 June 2017 and 31 December 2016, the accumulated amount paid by the Company was RMB572 million.

(2) Operating lease commitments

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Within 1 year (inclusive)	516,811	529,644
1 to 2 years (inclusive)	295,514	395,693
2 to 3 years (inclusive)	185,492	192,691
After 3 years	388,931	412,229
Total	<u>1,386,748</u>	<u>1,530,257</u>

Section X Interim Condensed Consolidated Financial Statements

52. CONTINGENCIES

As at 30 June 2017 and 31 December 2016, the contingent liabilities due to pending litigation amounted to RMB139 million and RMB156 million respectively.

53. SHARE-BASED PAYMENTS OF A SUBSIDIARY

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the “Share Option Scheme”) and a share award scheme(the “Share Award Scheme”) for the purpose of motivating and rewarding staff who contributed to GJIHL’s operations. During the six months ended 30 June 2017, the total equity-settled share-based compensation expense of RMB31,761 thousand was recognized in profit and loss(For the six months ended 30 June 2016: RMB34,863 thousand).

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Major shareholders include shareholders with shareholding of 5% or above of the Company.

Share percentage in the Company:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Shanghai State-owned Assets Operation Co., Ltd	21.82%	25.57%
Shanghai International Group Co., Ltd	7.83%	9.16%
Shenzhen Investment Holding Co., Ltd	6.99%	8.18%

(2) Associates and joint ventures of the Company

The detailed information of the Company’s associates and joint ventures is set out in note 23 to interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Related parties transactions and balances

The Group enters into transactions with related parties in the ordinary course of business under normal commercial terms.

(1) Transactions between the Group and major shareholders:

(i) Balances at the end of the period/year

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Bonds payable		
– Shanghai State-owned Assets Operation Co., Ltd	100,000	—

(ii) Transactions during the period

	Six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Fee and commission income		
– Shanghai International Group Co., Ltd	1,377	—
– Shenzhen Investment Holding Co., Ltd	708	—
Interest expenses		
– Shanghai International Group Co., Ltd	—	9,333

Section X Interim Condensed Consolidated Financial Statements

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Related parties transactions and balances *(continued)*

(2) Transactions between the Group with associates, joint ventures and other related parties:

(i) Balances at the end of the period/year

	As at 30 June 2017 <i>(Unaudited)</i>	As at 31 December 2016 <i>(Audited)</i>
Assets		
Cash and bank balances	8,991,071	9,621,531
Financial assets held under resale agreements	48,684	—
Accounts receivable	—	19,405
Other receivable and prepayments	59,501	16,846
	8,999,256	9,657,782
Liabilities		
Other current liabilities	5,735	1,958
Bonds payable	700,000	1,000,000
	705,735	1,001,958

(ii) Transactions during the period

	2017 <i>(Unaudited)</i>	2016 <i>(Unaudited)</i>
	Six months ended 30 June	
Fee and commission income	26,442	59,865
Interest income	116,206	113,907
Fee and commission expenses	1,473	2,074
Interest expenses	17,241	42,745
Other operating expenses and costs	190	557
	161,552	319,148

Section X Interim Condensed Consolidated Financial Statements

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Transactions between the Company and subsidiaries

(i) Balances at the end of the period/year

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
Assets		
Accounts receivable	1,037,535	798,895
Other receivable and prepayments	798,944	698,218
Liabilities		
Other current liabilities	154,848	—

(ii) Transactions during the period

	Six months ended 30 June 2017 (Unaudited)	2016 (Unaudited)
Fee and commission income	354,488	391,304
Net investment gains	51,000	400,000

(iii) H-share IPO related expense paid to subsidiaries

The Company paid the H-share IPO related sponsoring fee of RMB 3,447 thousand to Guotai Junan Capital Limited and paid underwriting fee of RMB 152,374 thousand to Guotai Junan Securities (Hong Kong) Limited. The total H-share IPO related expense was 155,821 thousand.

Section X Interim Condensed Consolidated Financial Statements

54. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Remuneration of key management personnel

Remuneration of key management personnel of the Group is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	<i>(Unaudited)</i>
Salaries, allowances and benefits	4,695	2,891
Pension scheme contributions and other social welfare	420	548
Discretionary bonus	4,836	9,654
	<hr/>	<hr/>
Total	9,951	13,093
	<hr/> <hr/>	<hr/> <hr/>

55. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

Section X Interim Condensed Consolidated Financial Statements

55. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

30 June 2017 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Held for trading				
– Equity securities	6,421,649	441,317	—	6,862,966
– Funds	9,605,478	4,486,667	—	14,092,145
– Debt securities	2,502,641	44,647,963	—	47,150,604
– Other investments	655,275	2,120,393	—	2,775,668
Designated as at fair value through profit or loss				
– Equity securities	—	—	1,198,631	1,198,631
– Funds	—	10,093,167	45,164	10,138,331
– Debt securities	—	1,606,450	—	1,606,450
Available-for-sale financial assets				
– Equity securities	3,991,198	1,103,276	1,774,727	6,869,201
– Funds	131,415	6,937	—	138,352
– Debt securities	713,863	6,004,391	—	6,718,254
– Other investments	1,942,655	17,880,572	217,741	20,040,968
Derivative financial assets	40,395	95,345	—	135,740
Total	26,004,569	88,486,478	3,236,263	117,727,310
Financial liabilities at fair value through profit or loss				
Held for trading				
– Debt securities	23,792	6,630,228	—	6,654,020
– Others	1,930,907	—	—	1,930,907
Designated as at fair value through profit or loss				
– Debt securities	—	12,511,029	1,098,278	13,609,307
– Others	—	197,194	—	197,194
Derivative financial liabilities	24,306	112,999	—	137,305
Total	1,979,005	19,451,450	1,098,278	22,528,733

Section X Interim Condensed Consolidated Financial Statements

55. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis: *(continued)*

31 December 2016 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
through profit or loss				
Held for trading				
– Equity securities	5,545,084	747,895	—	6,292,979
– Funds	8,231,261	4,833,162	—	13,064,423
– Debt securities	4,202,534	39,017,462	—	43,219,996
– Other investments	771,354	3,520,223	—	4,291,577
Designated as at fair value				
through profit or loss				
– Equity securities	—	—	1,151,682	1,151,682
– Funds	—	7,428,325	46,247	7,474,572
– Other investments	—	1,228,009	—	1,228,009
Available-for-sale financial assets				
– Equity securities	4,720,851	691,759	1,498,270	6,910,880
– Funds	132,461	11,520	—	143,981
– Debt securities	477,986	5,560,390	—	6,038,376
– Other investments	1,000,000	23,859,987	452,848	25,312,835
Derivative financial assets	37,268	138,156	—	175,424
Total	25,118,799	87,036,888	3,149,047	115,304,734
Financial liabilities at fair value				
through profit or loss				
Held for trading				
– Debt securities	71,133	7,673,787	—	7,744,920
Designated as at fair value				
through profit or loss				
– Debt securities	—	7,524,771	1,048,648	8,573,419
– Others	—	197,017	—	197,017
Derivative financial liabilities	24,149	266,351	—	290,500
Total	95,282	15,661,926	1,048,648	16,805,856

During the period and the year ended 31 December 2016, there were no significant transfers of fair value measurements between Level 1 and Level 2.

Section X Interim Condensed Consolidated Financial Statements

55. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the period/year, the Group held no changes on the valuation techniques for level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, and liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs were no significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Section X Interim Condensed Consolidated Financial Statements

55. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(3) Movements in Level 3 financial instruments measured at fair value:

	As at 30 June 2017		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss
At the beginning of the period	1,197,929	1,951,118	(1,048,648)
(Losses)/Gains for the period	(122,235)	24,867	123,760
Changes in fair value recognized in other comprehensive income	—	155,090	—
Purchases	235,500	263,000	—
Issues	—	—	(173,390)
Disposal and settlements	(67,399)	(401,607)	—
At the end of the period	<u>1,243,795</u>	<u>1,992,468</u>	<u>(1,098,278)</u>

	Year ended 31 December 2016		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss
At the beginning of the year	309,964	2,049,221	—
(Losses)/Gains for the year	(23,280)	—	406
Changes in fair value recognized in other comprehensive income	—	(365,344)	—
Purchases	1,048,784	1,023,697	—
Issues	—	—	(1,049,054)
Disposal and settlements	(72,603)	(756,456)	—
Transfer out from Level 3	(64,936)	—	—
At the end of the year	<u>1,197,929</u>	<u>1,951,118</u>	<u>(1,048,648)</u>

Section X Interim Condensed Consolidated Financial Statements

55. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(4) Important unobservable input value in fair value measurement of Level 3

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

Financial assets/ liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investment with disposal restriction in a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Other equity investment	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Other investments	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Financial liabilities at fair value through profit or loss	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value

The fair value of the financial instruments in level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

Section X Interim Condensed Consolidated Financial Statements

55. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(5) Financial assets and liabilities not measured at fair value

As at 30 June 2017 and 31 December 2016, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximate to their fair values, except for bonds payable, whose carrying amounts and fair values are summarized below:

	As at 30 June 2017	As at 31 December 2016
Bonds payable		
Carrying amounts	62,454,889	72,738,765
Fair values		
– Level 2	62,286,765	70,394,226
– Level 3	97,768	2,416,381
	62,384,533	72,810,607

56. EVENTS AFTER THE REPORTING PERIOD

The registered capital of Shanghai Guotai Junan Security Assets Management Co.Ltd (“Asset Management Company”) was approved to increase RMB 1.2 billion by cash from the Company at the 10th extraordinary meeting of 5th term of the Board of Director on 15 June 2017. As at 5 July 2017, the Company completed the capital injection and registered capital of Asset Management Company was increased to RMB 2.0 billion.

As approved by the CSRC ZHENGJIANXUKE [2017]291, the Company publicly issued A shares convertible corporate bonds with an aggregate amount of RMB7 billion on 7 July 2017. As approved by Shanghai Stock Exchange Self - regulatory decision 2017[203], the convertible corporate bonds amounting to RMB7 billion were listed on the Shanghai Stock Exchange on 24 July 2017, with bond code 113013.

In April 2017, the Company agreed to transfer its 51% stake in GTJA Allianz Funds to Pacific Asset Management Co., Ltd. at a price of RMB 1,045 million to become the transferee of such stake. As of 30 June 2017, the consideration has been fully received by the Company. As at 26 July 2017, it was approved by China Insurance Regulatory Commission that Pacific Asset Management Co., Ltd. acquired 51% stake in GTJA Allianz Funds. As of the reporting date, the equity transfer is still subject to CSRC's approval.

On 5 August 2017, the Company issued the first batch of corporate bonds of Year 2017 amounting to RMB5.3 billion. The bonds include two tranches. Tranche one is a 3-year bond with par value of RMB4.7 billion. The bond bears an annual interest rate of 4.57%. Tranche two is a 5-year bond with par value of RMB0.6 billion. The bond bears an annual interest rate of 4.70%.

Section X Interim Condensed Consolidated Financial Statements

57. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 25 August 2017.

Section XI Documents Available for Inspection

Documents available
for inspection

- I. Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting department of the Company.
- II. Original copies of all documents and announcements disclosed on the websites designated by the CSRC during the Reporting Period.
- III. Other relevant materials.

Chairman: YANG Dehong

Approved by the board of directors for the submission on 25 August 2017

Section XII Information Disclosure of Securities Company

I. RELEVANT INFORMATION ABOUT SIGNIFICANT ADMINISTRATIVE PERMISSIONS FOR THE COMPANY

Applicable Not applicable

(1) Administrative Permissions of the Company

No.	Date of approval	Headings of approval	No. of approval
1	2017/01/12	The Reply of Approval on the Qualification of Xie Lebing as A Senior Management Member of A Securities Company	Hu Zheng Jian Xu Ke [2017]No.6
2	2017/03/01	The Reply of Approval of the Public Issuance of Convertible Corporate Bonds of Guotai Junan Securities Co., Ltd.	Zheng Jian Xu Ke [2017] No.291
3	2017/03/13	The Reply of Approval of the Issuance of Overseas Listed Foreign-invested Shares of Guotai Junan Securities Co., Ltd.	Zheng Jian Xu Ke [2017] No.353
4	2017/03/17	The Reply of Approval of the Establishment of 42 Securities Branches by Guotai Junan Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2017] No.28
5	2017/03/27	The Reply of Approval on the Qualification of Luo Dongyuan as A Senior Management Member of Securities Company	Hu Zheng Jian Xu Ke [2017] No. 29

Section XII Information Disclosure of Securities Company

(2) Administrative Permissions of the major controlled subsidiaries

No.	Name of the subsidiary	Date of approval	Headings of approval	No. of approval
1	Shanghai Securities and its subsidiaries	2017/01/12	Reply of Shanghai Supervision Bureau of CSRC in relation to the Approval of the Establishment of Eight Branches by Shanghai Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2017] No.4
		2017/01/23	Shanghai Supervision Bureau of CSRC's No Objection Letter to Shanghai Securities Co., Ltd. in relation to the Listing and Transfer of Non-public Issuance of Short term Corporate Bonds	Shang Zheng Han [2017] No.101
		2017/03/23	Shanghai Supervision Bureau of CSRC's No Objection Letter to Shanghai Securities Co., Ltd. in relation to the Listing and Transfer of Non-public Issuance of Subordinated Bonds	Shang Zheng Han [2017] No.264
2	Guotai Junan Asset Management	2017/02/13	Shanghai Supervision Bureau of CSRC's Reply of Approval of the Qualification of Fu Nanping as Supervisor of Securities Company	Hu Zheng Jian Xu Ke [2017] No.18
		2017/03/08	Shanghai Supervision Bureau of CSRC's reply of Approval of the Qualification of Cheng Fei as Senior Management of Securities Company	Hu Zheng Jian Xu Ke [2017] No.24
		2017/03/08	Shanghai Supervision Bureau of CSRC's Reply of Approval of the Qualification of Li Yan as Senior Management of Securities Company	Hu Zheng Jian Xu Ke [2017] No.25
		2017/04/20	Shanghai Supervision Bureau of CSRC's No Objection Letter to Guotai Junan Securities Asset Management Co., Ltd. in relation to the Listing and Transfer of Non-public Issuance of Subordinated Bonds	Shang Zheng Han [2017] No.397

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

Applicable Not applicable

The Company's classified evaluation result in 2017: Class A Grade AA