

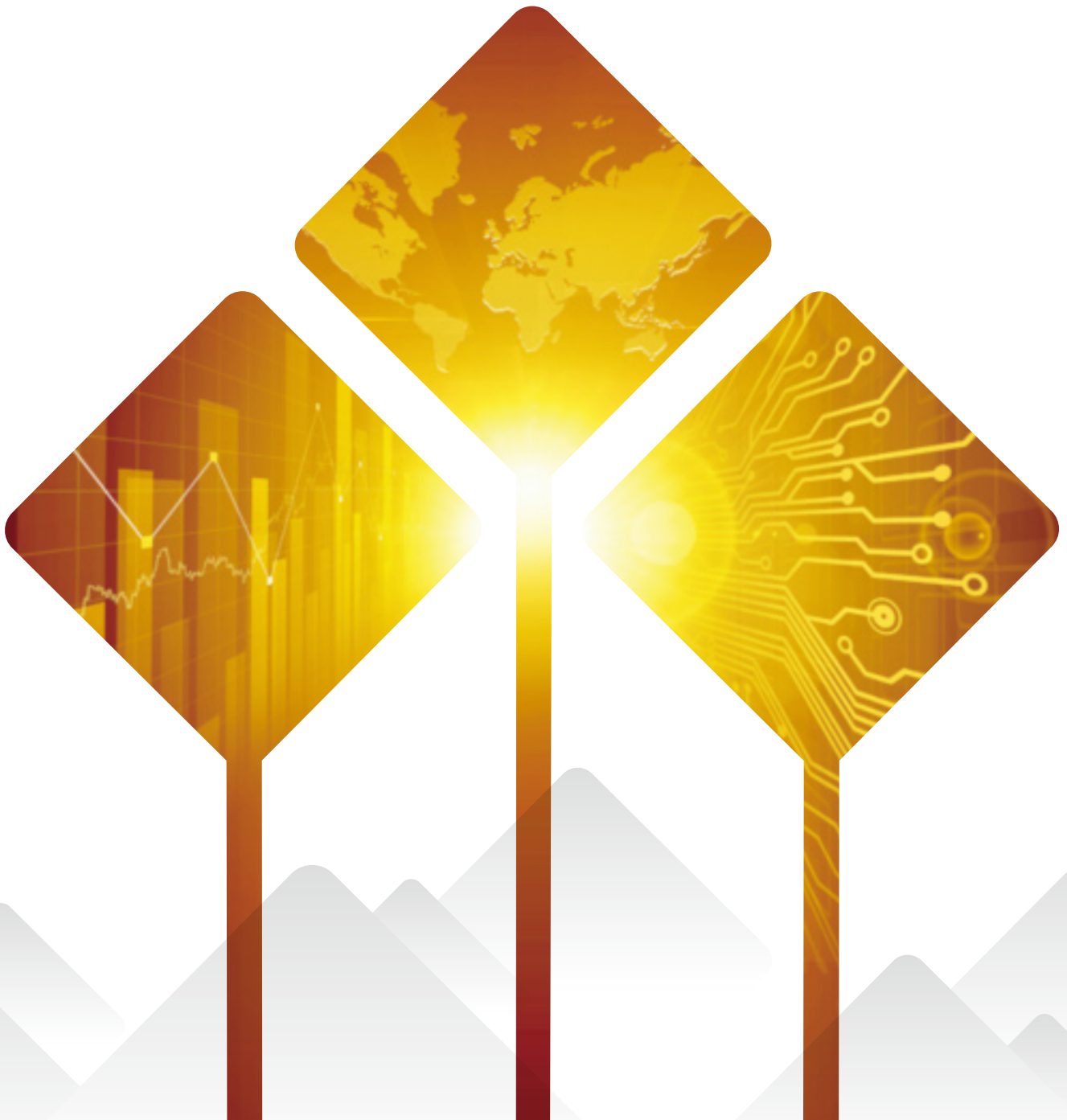


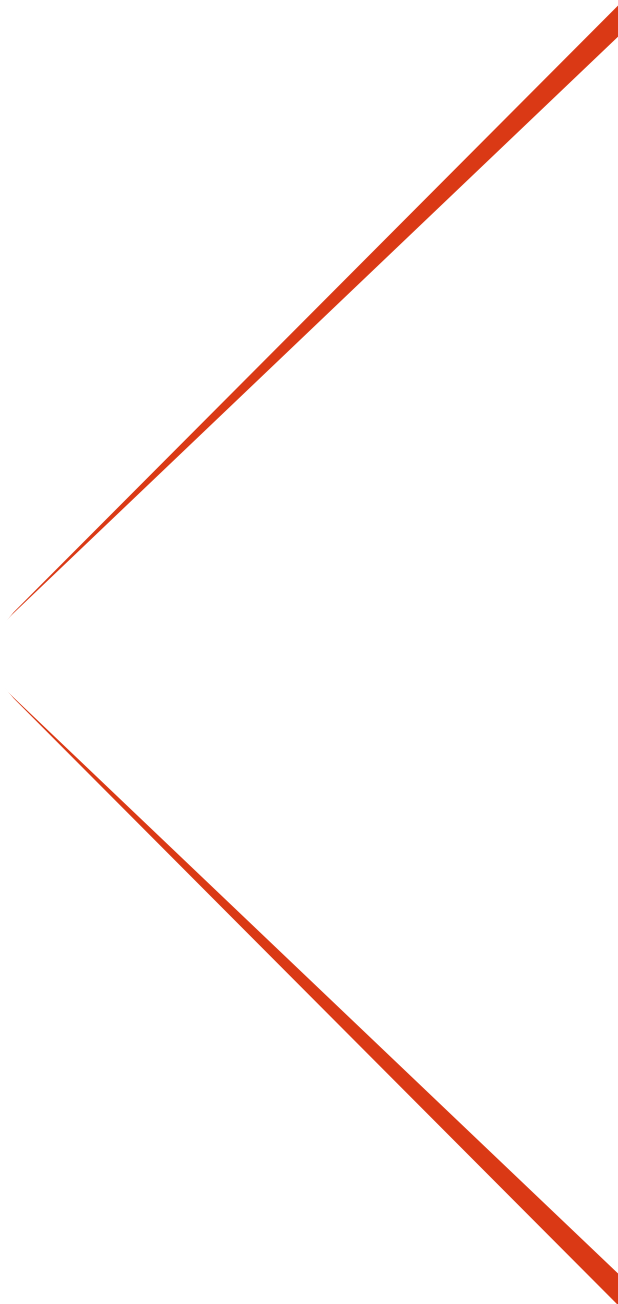
(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC)

# 2017

# Interim Report

Stock Code: 6886







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# 1



## About us

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## IMPORTANT NOTICE >

- I. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company undertake that the information in this interim report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint legal liabilities to the truthfulness, accuracy and completeness of the information in this report.
- II. The 2017 interim report of the Company has been considered and approved at the eighth meeting of the fourth session of the Board of the Company. The meeting required 12 Directors be present at the meeting, and 9 Directors attended the meeting finally. Ms. Pu Baoying and Mr. Xu Qing, the Company's non-executive Directors, and Mr. Chen Chuanming, the Company's independent non-executive Director were not present at the meeting in person. Among which, Ms. Pu Baoying appointed Mr. Chen Ning (the Company's non-executive Director) in writing for voting on behalf of her, Mr. Xu Qing appointed Mr. Zhou Yi (the Company's executive Director and chairman of the Board) in writing for voting on behalf of him, and Mr. Chen Chuanming appointed Mr. Yang Xiongsheng (the Company's independent non-executive Director) in writing for voting on behalf of him. None of the Directors had objections towards the 2017 interim report of the Company.
- III. The unaudited interim financial report for 2017 of the Company has been prepared in accordance with the International Financial Report Standards and reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements.
- IV. Zhou Yi, officer in charge of the Company, Shu Ben'e, officer in charge of accounting of the Company, and Fei Lei, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant and guarantee that the financial report contained in the interim report is true, accurate and complete.
- V. The profit distribution plan or the conversion plan of reserves to share capital for the Reporting Period considered by the Board.

The Board of the Company has not proposed any profit distribution plan or any conversion plan of capital reserves to share capital during the review of the interim report for the first half of 2017.

### VI. Risk Statement with respect to the forward-looking statements

Any forward-looking statements such as future plans and development strategies contained in this interim report do not constitute any substantive commitments by the Company to investors. Investors should pay attention to investment risks.

- VII. There is no non-operating misappropriation of funds of the Company by any of the controlling shareholders and their related parties.
- VIII. The Company has not provided any guarantees in favor of others in violation of the decision-making procedures.
- IX. The interim report of the Company is prepared in both Chinese and English. In the event of any inconsistency, the Chinese version should prevail.

## X. Warning on major risks

The general economic and political conditions such as macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates may affect the Company's business. On the other hand, like other companies in the securities industry, the Company's business is also affected by the inherent risks associated with the securities markets, such as market volatility and fluctuations in the trading volume. The Company can provide no assurance that the favorable political, economic and market conditions will be sustained.

The risks the Company faces in its operation mainly include: policy risk that has adverse effect on the operation of the securities companies caused by the change of the laws and regulations, regulatory policies and trading rules relevant to the securities industry upon implementation of national macro-control measures; compliance risk that imposes legal sanctions, regulatory measures, asset loss or reputation loss on the Company due to violation of laws, rules or standards by operational management or professional conduct; legal risk that causes losses to the Company for lawsuits, compensation and penalties caused by failing to comply with laws, regulations and requirements; market risk that results in losses of the Company's assets as a result of the fluctuations of market prices such as interest rate, exchange rate, share price and commodity price; credit risk that results in the losses of the Company's assets caused by the defaults of commodity or bond issuers and counterparties (clients); liquidity risk of failure to get timely capital injection under reasonable cost to repay due debts, fulfill other payment obligations or satisfy the capital needs for normal business development; information technology risk that causes losses due to various technical breakdowns or data disclosure in the Company's information system for internal or external problems, making the transactions and business management not be able to carry out stably, efficiently and safely in the aspects of service fulfillment, response speed, processing ability and data encryption; operational risk that causes losses to the Company resulting from inadequate or problematic internal processes, staff, systems or external events and reputational risk of negative assessment from relevant media regarding the Company's operation, management and other conducts or external events. In addition, with the advancement of the Company's internationalization strategy, the Company expanded its businesses into regions such as the United States and Hong Kong, thus facing more complicated market environment and regulatory requirements.

## Definitions >

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

DEFINITIONS OF CAPITALIZED TERMS AND EXPRESSIONS	
"A Share(s)"	Domestic share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and to be subscribed for and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"APP"	Application
"Articles of Association"	the articles of association of the Company, as amended from time to time
"AssetMark"	AssetMark Financial Holdings, Inc.
"Board of Supervisors"	the Board of Supervisors of the Company
"Board" or "Board of Directors"	the Board of Directors of the Company
"CAGR"	Compound annual growth rate
"China Southern Asset Management"	China Southern Asset Management Co., Ltd. (南方基金管理有限公司)
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan
"Communications Holding"	Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
"Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 and became effective on March 1, 2014
"CSI 300 Index"	an index consisting of 300 index sample stocks which are most representative selected by the Shanghai Stock Exchange and Shenzhen Stock Exchange jointly with the scale and liquidity as the basic standards
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of the Company
"Group", "Our Group", "we" or "us"	the Company and its subsidiaries, and their respective predecessors
"FTSE China A50 Index"	A tradable index created by FTSE China Index Limited through selecting 50 Chinese A-share companies
"H Share(s)"	Foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and to be subscribed for and traded in HK dollars
"H Shareholder(s)"	holder(s) of H Shares
"HK\$", "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huatai Asset Management"	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券(上海)資產管理有限公司), a wholly-owned subsidiary of the Company
"Huatai Financial Holdings (Hong Kong)"	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司), a wholly-owned subsidiary of the Company
"Huatai Futures"	Huatai Futures Co., Ltd. (華泰期貨有限公司), a holding subsidiary of the Company
"Huatai Innovative Investment"	Huatai Innovative Investment Co., Ltd. (華泰創新投資有限公司), a wholly-owned subsidiary of the Company
"Huatai United Securities"	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), a holding subsidiary of the Company
"Huatai Zijin Investment"	Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of the Company



"Huatai-PineBridge"	Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)
"iPad"	a line of tablet computers designed and marketed by Apple Inc.
"IPO"	the initial public offering
"Jiangsu Equity Exchange"	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a holding subsidiary of the Company
"Jiangsu Guoxin"	Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)
"Jiangsu SASAC"	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省人民政府國有資產監督管理委員會)
"Jiangsu Securities Regulatory Bureau"	Jiangsu Securities Regulatory Bureau of the CSRC (中國證監會江蘇監管局)
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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
"NEEQ"	National Equities Exchange and Quotation (全國中小企業股份轉讓系統)
"NMAU"	the number of monthly active users
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"OTC"	over-the-counter
"our Company", "Company", "Parent Company", "HTSC" or "Huatai Securities"	a joint stock company incorporated in the PRC with limited liability under the corporate name 华泰证券股份有限公司 (Huatai Securities Co., Ltd.), converted from our predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on December 7, 2007, carrying on business in Hong Kong as "HTSC", and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese approved name of "華泰六八八六股份有限公司" and English name of "Huatai Securities Co., Ltd."; the H Shares of which has been listed on the main board of the Hong Kong Stock Exchange since June 1, 2015 (Stock Code: 6886); the A Shares of which has been listed on the Shanghai Stock Exchange since February 26, 2010 (Stock Code: 601688). Unless the context otherwise requires, it includes its predecessor
"PC"	Personal Computer
"related party transaction(s)"	has the meaning ascribed to the term "related party transaction(s)" by the prevailing Shanghai Stock Exchange Listing Rules, as amended from time to time
"Reporting Period"	the period from January 1, 2017 to June 30, 2017
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則)
"Shanghai Stock Exchange" or "SSE"	the Shanghai Stock Exchange (上海證券交易所)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"SSE 50 Index"	an index consisting of 50 index sample stocks with large scale and good liquidity, which are most representative in the securities market of Shanghai selected by the Shanghai Stock Exchange
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"TAMP"	Turn-key Asset Management Platform, a technological platform providing services such as investment products and strategies and assets portfolio management, customer relationship management and asset custody, as well as corporate operation
"USD" or "US dollar"	the lawful currency of the United States of America
"VAR"	Value at risk
"Wind Information"	Wind Information Co., Ltd., a service provider of financial data, information and software in Mainland China

In the 2017 Interim Report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding.



Huatai Securities

# Company Profile >

## I. COMPANY INFORMATION

Chinese name of the Company	华泰证券股份有限公司
Abbreviation of Chinese name of the Company	華泰證券
English name of the Company	HUATAI SECURITIES CO., LTD.
Abbreviation of English name of the Company	HTSC
Legal representative of the Company	Zhou Yi
President of the Company	Zhou Yi
Authorized representatives of the Company	Zhou Yi, Zhang Hui

### Registered Capital and Net Capital

Unit and Currency: RMB

	As at the end of the Reporting Period	As at the end of the previous year
Registered capital	7,162,768,800.00	7,162,768,800.00
Net capital	43,571,425,222.10	45,122,195,552.96

## Qualifications of each of the business lines of the Company

During the Reporting Period, the Company acquired the agency qualification for the subscription, application and redemption in respect of physical trading contracts of ETF for gold at Shanghai Gold Exchange.

According to the business license issued by the Administration for Industry and Commerce of Jiangsu Province, business scope of the Company includes: securities brokerage, proprietary trading of securities, securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds) only), securities investment consulting, intermediary introduction business for futures company, margin financing and securities lending business, agency sale of financial products, agency sale of securities investment funds, custodian for securities investment funds, agency services for gold and other precious metal spot contracts and proprietary business for spot gold contracts, stock options market making business, other business activities approved by the CSRC.

## II. LIST OF MEMBERS OF THE BOARD OF DIRECTORS AND SPECIAL COMMITTEES

### Members of the Board of Directors

#### Executive Director

Mr. ZHOU Yi (Chairman, President)

#### Non-executive Directors

Ms. PU Baoying

Mr. GAO Xu

Mr. CHEN Ning

Mr. XU Feng

Mr. XU Qing

Mr. ZHOU Yong

#### Independent Non-executive Directors

Mr. CHEN Chuanming

Mr. LIU Hongzhong

Mr. LEE Chi Ming

Mr. YANG Xiongsheng

Ms. LIU Yan

### Members of Special Committees

#### Development Strategy Committee

Mr. ZHOU Yi (Chairman)

Mr. GAO Xu

Mr. LIU Hongzhong

#### Compliance and Risk Management Committee

Ms. PU Baoying (Chairman)

Mr. XU Qing

Mr. ZHOU Yong

#### Audit Committee

Mr. LEE Chi Ming (Chairman)

Mr. CHEN Ning

Mr. YANG Xiongsheng

#### Nomination Committee

Mr. CHEN Chuanming (Chairman)

Mr. XU Feng

Ms. LIU Yan

#### Remuneration and Appraisal Committee

Mr. CHEN Chuanming (Chairman)

Mr. XU Feng

Ms. LIU Yan

### III. CONTACT

	Secretary of the Board	Securities affairs representative
Name	Zhang Hui	Luo Yi
Address	10/F, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province	12/F, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province
Tel. No.	025-83387793, 83387780, 83389157	025-83387788
Fax	025-83387784	025-83387784
Email	zhanghui@htsc.com	luoyi@htsc.com

	Joint company secretaries	Joint company secretaries
Name	Zhang Hui	Kwong Yin Ping Yvonne
Address	10/F, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province	18/F, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong

### IV. CHANGE IN BASIC INFORMATION

Registered address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province
Postal code of registered address of the Company	210019
Office address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province
Postal code of office address of the Company	210019
Company website	<a href="http://www.htsc.com.cn">http://www.htsc.com.cn</a>
Email	boardoffice@htsc.com
Update on the Reporting Period	No change during the Reporting Period

## V. 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	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of interim report	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Location for inspection of interim report of the Company (A Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province; Shanghai Stock Exchange
Location for inspection of interim report of the Company (H Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province; 4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Update on the Reporting Period	No change during the Reporting Period

## VI. SHARES OF THE COMPANY

Type of share	A Share	H Share
Stock exchange for listing	Shanghai Stock Exchange	Hong Kong Stock Exchange
Stock name	華泰證券	HTSC
Stock code	601688	6886
Stock name before change:	Nil	Nil

## VII. LANGUAGE AND MEANS OF RECEIPT OF CORPORATE COMMUNICATION

The Company provides corporate communication to H Shareholders based on their respective elected language version and means of receipt. H Shareholders have the following options:

- to read and/or download the corporate communication published on the Company's website at [www.htsc.com.cn](http://www.htsc.com.cn) and receive written notice for the publication of the corporate communication; or
- to receive printed English version of all corporate communications only; or
- to receive printed Chinese version of all corporate communications only; or
- to receive both printed English and Chinese versions of all corporate communications.

H Shareholders may choose and/or change the version of language of our corporate communication and/or the way to receive our corporate communication at any time. H Shareholders may notify our Company by the following ways:

- by mail: 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
- by email: [huatai.ecom@computershare.com.hk](mailto:huatai.ecom@computershare.com.hk)

For enquiry on the arrangement of election of language and means of receipt of corporate communications, H Shareholders may contact our hotline at +852 2862 8688 at any time.

## VIII. OTHER INFORMATION

### (I) Legal Advisors

Legal advisors in Hong Kong: Clifford Chance (27/F, Jardine House, One Connaught Place, Central, Hong Kong)

### (II) Accountants

Domestic accountants: KPMG Huazhen LLP

Office address: 8/F, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC

International accountants: KPMG

Office address: 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

### (III) Share registrars

Share registrar for A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch

Office address: 36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC

Share registrar for H Share: Computershare Hong Kong Investor Services Limited

Office address: 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

## Summary of the Results >

### I. KEY FINANCIAL DATA AND INDICATORS OF THE COMPANY

(The financial data and indicators set out in this report have been prepared in accordance with the International Financial Reporting Standards)

Unit and Currency: RMB'000

Key Financial Data	Reporting Period	Corresponding period of the previous year	Change (%)
Total revenue and other income	12,420,115	11,581,300	7.24
Profit before income tax	3,986,863	3,878,012	2.81
Profit for the period — attributable to shareholders of the Company	2,993,250	2,841,253	5.35
Net cash (used in)/generated from operating activities	(2,251,987)	29,589,332	(107.61)
Total other comprehensive income for the period, net of tax	208,825	(1,241,997)	(116.81)
	As at the end of the Reporting Period	As at the end of the previous year	Change (%)
Total assets	368,830,012	401,450,397	(8.13)
Total liabilities	283,228,283	315,790,200	(10.31)
Total equity attributable to shareholders of the Company	83,995,610	84,357,457	(0.43)
Total equity	85,601,729	85,660,197	(0.07)
Total share capital	7,162,768,800	7,162,768,800	—



## II. Key Financial Indicators

Key financial indicators	Reporting Period	Corresponding period of the previous year	Change (%)
Basic earnings per share (in RMB per share)	0.42	0.40	5.00
Diluted earnings per share (in RMB per share)	0.42	0.40	5.00
Weighted average return on net assets (%)	3.50	3.62	Decreased by 0.12 percentage point
Gearing ratio (%)	70.60	72.25	Decreased by 1.65 percentage point
Net assets attributable to the shareholders of the Company per share (in RMB per share)	11.95	11.96	(0.08)

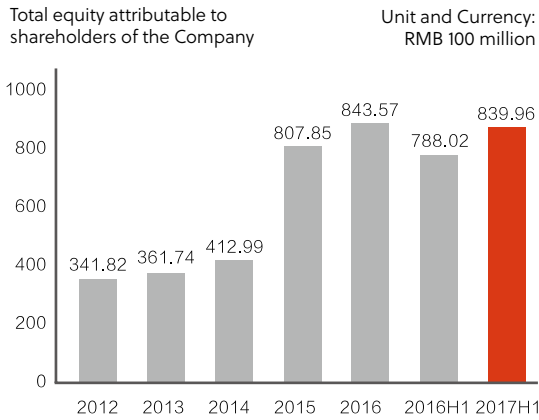
Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

## III. Net Capital and Risk Control Indicators of the Parent Company

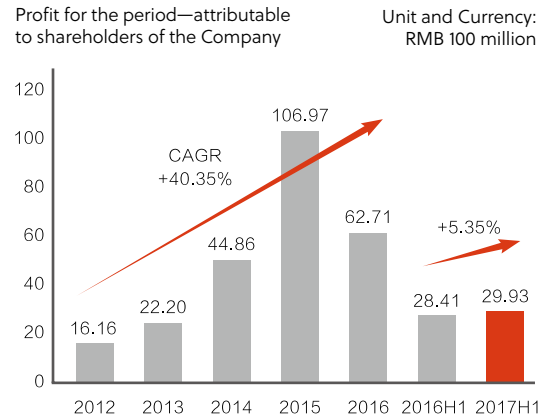
Unit and Currency: RMB

Items	As at the end of the Reporting Period	As at the end of the previous year
Net capital	43,571,425,222.10	45,122,195,552.96
Net assets	76,943,378,162.20	75,942,209,841.25
Net capital/net assets (%)	56.63	59.42
Net capital/liabilities (%)	38.10	38.09
Net assets/liabilities (%)	67.28	64.10
Value of proprietary equity securities and security derivatives/net capital (%)	52.17	55.38
Value of proprietary fixed income securities/net capital (%)	88.76	65.95
Core net capital	38,571,425,222.10	37,622,195,552.96
Supplementary net capital	5,000,000,000.00	7,500,000,000.00
The sum of various risk capital provisions	22,116,984,021.21	21,829,243,932.41
Total on-balance and off-balance assets	204,365,565,718.17	208,043,528,950.74
Risk coverage (%)	197.00	206.71
Capital leverage ratio (%)	22.20	21.35
Liquidity coverage ratio (%)	331.53	246.05
Net stable funding ratio (%)	145.10	139.68

## IV. Key Performance Indicators



Source: Regular reports of the Company



Source: Regular reports of the Company

Brokerage and wealth management	Institutional business	Investment management	International business
Trading volume of stocks and funds transaction	Number of merger, acquisition and reorganization	Scale of assets under management	AUM by AssetMark
7.87%	15	RMB 945.074 billion	USD 36.709 billion
1	1	2	3
The number of monthly active users of ZhangLe Fortune Path	Equity underwriting amount	The total amount of enterprise asset securitization issuance	The market share of AssetMark
6.0959million	RMB 26.687 billion	RMB 17.722 billion	9.2%
1	4	3	3
Balance of margin financing and securities lending	Bond underwriting amount		
RMB 50.805 billion	RMB 89.604 billion		
2	6		

**Explanations:**

The statistics and ranking of trading volume of stocks and funds are quoted from the WIND information; the statistics and ranking of number of monthly active users of ZhangLe Fortune Path are quoted from the statistics of Analysys in June 2016; the balance of margin financing and securities lending and its ranking are quoted from WIND information; the number of merger, acquisition and reorganization and its ranking are quoted from WIND information; the equity underwriting amount and its ranking are quoted from WIND information; the Bond underwriting amount and its ranking are quoted from WIND information; the scale of assets under management and its ranking are quoted from the 2017 second quarter statistics from Asset Management Association of China; the total amount of enterprise asset securitization issuance and its ranking are quoted from WIND information; AUM by AssetMark are quoted from the internal statistics of the Company; the market share of AssetMark and its ranking are quoted from Cerulli Associates and relevant public information in terms of the analysis of the TAMP industry by the end of the first quarter of 2017; for the terms without special illustration, the information are from the statistics by the end of the Reporting Period and the statistics for the Reporting Period.

## V. DIFFERENCE IN FINANCIAL DATA PREPARED IN ACCORDANCE WITH DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

There was no difference between the net profit for January to June 2017 and January to June 2016 and net asset as of June 30, 2017 and December 31, 2016 set out in both consolidated financial statements as prepared under China Accounting Standards for Business Enterprises and consolidated financial statements as prepared under the International Financial Reporting Standards.

## Major Events of the Company >

Huatai Securities was established in 1991,  
and with its steady development for 26 years,  
it has been a leading large-scale integrated securities group  
with both A shares and H shares listed.

1991



Huatai Securities (referred to as Jiangsu Securities Company) was established.

2006



The Company became the holding company of Huatai United Securities.

2008



The CRM (Customer Relationship Management) system was launched and put into operation.

1991

1993

2006

2008

1993

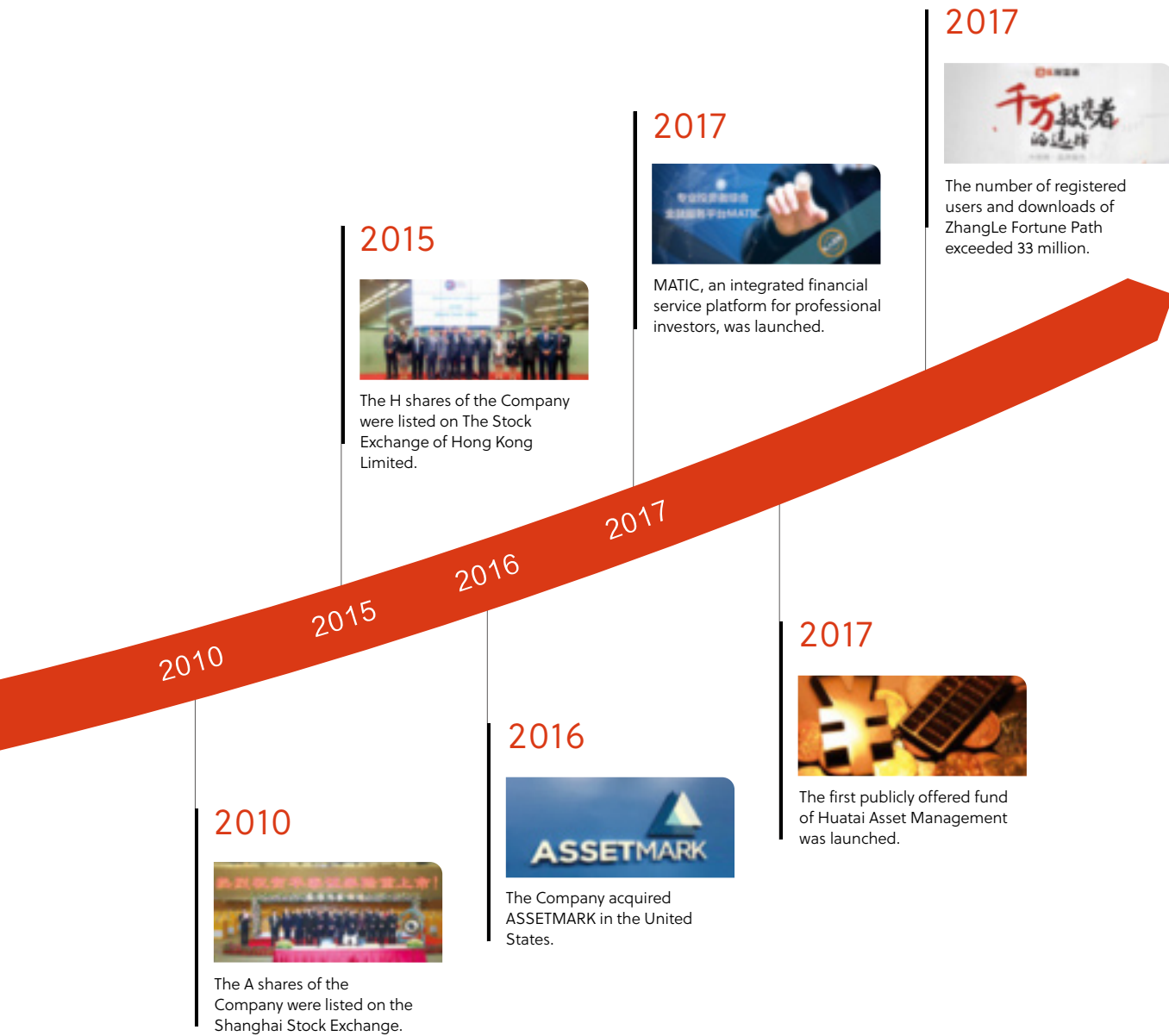


The first stock of Jiangsu Province "Taiji Industry" was issued publicly.

2006



Huatai Financial Holdings (Hong Kong) Limited was established.



Efficiency Honesty  
Prudency Innovation





# 2

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## Operating Analysis and Strategies

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Huatai Securities

# Summary of > the Company's Business

Strategic vision:

Being committed to becoming a first-class integrated financial group with local strengths and global vision





## I. DESCRIPTIONS OF OUR PRINCIPAL BUSINESS LINES, OPERATION MODELS AND INDUSTRY CONDITIONS DURING THE REPORTING PERIOD

<p>Brokerage and wealth management business</p>	<p>We provide customers with comprehensive financial services, including securities, futures and options brokerage, financial product sales, and capital-based intermediary business based on the "ZhangLe Fortune Path" (Mobile Terminal), PC online platform, 242 securities branches, 29 subsidiaries, Huatai Financial Holdings (Hong Kong) international platform, and AssetMark (North American TAMP platform) through the whole business chain, online and offline blending, and domestic and overseas linkage.</p> <p>The securities, futures and options brokerage business: to buy and sell stocks, funds, bonds, futures and options on behalf of clients and provide service to facilitate the transaction services.</p> <p>Financial products sales business: to provide customers with a variety of financial products sales services and asset allocation services, and the related financial products are managed by the Company and other financial institutions.</p> <p>Capital-based intermediary business: to provide customers with margin financing and securities lending, stock pledged repurchase and other diversified financing services.</p>
<p>Institutional business</p>	<p>Institutional business includes providing clients with investment banking business, research business and institutional sales business, collaborative asset management, investment deals, wealth management and other businesses to meet customer's demand for all-round financial services through the whole business chain model.</p> <p>Investment banking business includes equity underwriting, bond underwriting, financial advisory, OTC business and so on. Equity underwriting business: The Company provides IPO and equity refinancing services for clients. Bond underwriting business: The Company provides customers with various types of bond financing services. Financial advisory business: The Company provides customers with mergers and acquisitions-based financial advisory services from the industrial layout and strategic point of view. OTC business: including the NEEQ listing and subsequent financing services as well as Jiangsu Equity Exchange related OTC business.</p> <p>Research and institutional sales business: to provide specialized research services to clients, assist in investment decisions and help clients for sales of relevant financial products.</p>
<p>Investment management business</p>	<p>Investment management business mainly includes: asset management business, investment and trading business.</p> <p>Asset management business mainly includes asset management business for securities companies, asset management business for fund companies and private equity fund management business. Asset management business for securities companies: The Company participates in the asset management business for securities companies through wholly-owned subsidiary Huatai Asset Management, which includes collective asset management business, targeted asset management business, specialized asset management business and mutual fund management business (differentiated operation of public fund management business with the Company's fund companies). Asset management business for fund companies: The Company holds 45% stake in the China Southern Asset Management and 49% stake in Huatai-PineBridge. Private equity fund management business: The Company carries out direct investment business through its wholly-owned subsidiary, Huatai Zijin Investment, including private equity fund investment and management.</p> <p>Investment and trading business mainly includes equity securities investment and trading, fixed income investment and trading, OTC financial products and trading business. Equity securities investment and trading business: The Company carries out stocks, ETF and derivatives investment and trading with its own funds and is engaged in the market-making services for financial products traded in the stock exchange. Fixed income investment and trading business: The Company carries out various types of fixed-income securities trading business and derivatives trading business in the inter-bank bond market and the stock exchange, and is engaged in market maker business in interbank bond market. OTC financial products and trading business: The Company provides and trades OTC financial products, mainly including equity return swaps, income vouchers and asset management plan, and is engaged in the NEEQ market making and quotation services.</p>

International business

The Company is engaged in international business through its wholly-owned subsidiary Huatai Financial Holdings (Hong Kong), which mainly includes investment banking, sales and trading, asset management business and so on. With regard to the investment banking business, the Company provides Chinese and foreign companies with equity and bond underwriting, cross-border mergers and acquisitions advice service, offering financing solutions for clients. With regard to the sales and trading business, the Company provides securities trading and market-making services as well as fixed income, credit, futures contracts and structured products, and provides retail and institutional clients with global securities, futures brokerage services and financing services. With regard to the asset management business, the Company provides portfolio and fund management services for institutional customers, high net worth and retail customers and also develops various types of RMB asset management products based on the leading position of Hong Kong as an offshore RMB center.

The Company completed the acquisition of AssetMark in the United States in 2016. AssetMark is a leading turn-key asset management platform (TAMP) in the US. As a third-party financial services institution, it provides investment strategy and asset portfolio management, customer relationship management, asset custody and a series of services and advanced and convenient technology platform for investment advisors.

## II. Awards and Honors

<p><b>Brokerage and wealth management</b></p>	<p><b>The data from Analysys:</b></p> <ul style="list-style-type: none"> <li>ZhangLe Fortune Path secured first position in the industry in terms of monthly active users during the first half of 2017.</li> </ul> <p><b>Sina Microblog:</b></p> <ul style="list-style-type: none"> <li>ZhangLe Fortune Path was awarded with the Most Popular APP Award.</li> </ul>	<p><b>Statistics from Wind information:</b></p> <ul style="list-style-type: none"> <li>Secured first position in trading volume of stocks and funds transactions in the industry during the first half of 2017</li> </ul> <p><b>The Shenzhen Stock Exchange:</b></p> <ul style="list-style-type: none"> <li>Outstanding Contribution Award in terms of Shenzhen-Hong Kong Stock Connect</li> </ul>
<p><b>Institutional business</b></p>	<p><b>MergerMarket :</b></p> <ul style="list-style-type: none"> <li>Ranked No.1 in terms of the number of merger and acquisition projects in Greater China in 2016</li> </ul> <p><b>The statistics from WIND information:</b></p> <ul style="list-style-type: none"> <li>Ranked No.1 in terms of the number of merger, acquisition and reorganization projects in respect of A shares during the first half of 2017</li> </ul>	<p><b>The 10th Xincifu top investment banks awards:</b></p> <ul style="list-style-type: none"> <li>No. 3 in terms of investment banks with best overseas market service capability</li> <li>No.4 in terms of most outstanding investment banks in equity underwriting</li> <li>No.2 in terms of most outstanding investment banks in merger and acquisition</li> <li>No.2 in terms of TMT top investment banks</li> <li>No.3 in terms of top investment banks in the medical treatment and health industry</li> <li>No.5 in terms of top investment banks in the financial and real estate industry</li> </ul>
<p><b>Investment Management</b></p>	<p><b>The Shanghai Stock Exchange:</b></p> <ul style="list-style-type: none"> <li>2016 Excellent Asset Securitization Product Innovation Award</li> </ul> <p><b>ChinaVenture's 11st Annual Investment Conference in China (annual summit):</b></p> <ul style="list-style-type: none"> <li>2016 TOP10 Private Equity Investment Institutions with Greatest Growth Potential in China</li> <li>2016 TOP10 Investment Institutions in the Medical Service Sector</li> </ul>	<p><b>The 3rd China Securitization Forum:</b></p> <ul style="list-style-type: none"> <li>ABS Outstanding Deal Award</li> <li>Excellent Deal Award</li> <li>New prominent Award</li> </ul> <p><b>China Securities Journal's 14th China's Fund Industry Jinniu Award:</b></p> <ul style="list-style-type: none"> <li>China Southern Asset Management was honored as "2016 Jinniu Fund Management Company".</li> </ul>
<p><b>International business</b></p>	<ul style="list-style-type: none"> <li>Huatai Financial Holdings (Hong Kong)'s paid-in capital amounted to HKD8.8 billion, and its capital scale ranked among the best in Hong Kong .</li> </ul> <p><b>MergerMarket:</b></p> <ul style="list-style-type: none"> <li>Huatai Financial Holdings (Hong Kong) ranked No.2 in terms of both the number of merger and acquisition projects and trading volume of PRC investment banks in Hong Kong in 2016.</li> </ul>	<p><b>Cerulli Associates:</b></p> <ul style="list-style-type: none"> <li>By the end of the first quarter of 2017, AssetMark ranked No.3 in terms of the TAMP market share in the United States with a market share of 9.2%.</li> </ul>

### III. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

<p><b>Customer base was huge with high cost barriers, and wealth management transformation maintained remarkable systematic advantages</b></p>	<p>Through a series of complementary initiatives in recent years, such as the development and application of advanced technology platform, building of an operational mechanism of intensive management, transformation to light business branches and layout optimization, the effect of long-established customer scale and the advantage of cost barrier of the Company emerged and the management efficiency and cost control ability enhanced continuously, which are key factors that support the expansion in customer base driven by price advantage and the maintenance of the first place in market share of stock fund transaction. Meanwhile, the Company orderly advanced the implementation of wealth management transformation from team, product and technology platform and other aspects through proactively taking advanced international service system for reference and drawing on experiences from the acquisition of AssetMark. The systematic advantages of transformation have been emerging.</p>
<p><b>The Company promoted innovation with advanced Internet thinking to strengthen the first-mover advantage and core ability</b></p>	<p>The Company's Internet strategic layout and strategy execution took the lead of the industry, with the first-mover advantage and distinctive features. The mobile terminal application "ZhangLe Fortune Path" has been continuously improved and upgraded since its introduction in 2014. Innovative products were launched one after another. A mobile financial service system with distinctively intelligent, digital, precise and professional features has been formed. The number of active users ranked top of the broker APP list for a long term and brand effect has emerged. The system has become the core carrier for acquiring retail customers and collecting customer assets. In the meantime, online and offline resources were blended and advanced simultaneously, which also enhanced customer development and the efficiency of services.</p>
<p><b>The early stage of large institutional business pattern was formed to win the high-quality customer resources</b></p>	<p>The Company established the whole business chain system for the agency services in response to the needs of corporate customers and institutional customers, with investment banking serving as the leading role, institutional sale business as the central hub to promote each relevant business to advance together and complement each other effectively. Investment banking has completed numerous market benchmark projects in recent years and gained high-quality customer base including numerous emerging industry leaders. Relying on its prominent position in the domestic and overseas mergers and acquisitions field, as well as professional pricing and resource integration capabilities, it promoted other institutional business to obtain high-quality customers and assets, win new opportunities for transactions and investment and form positive interaction.</p>
<p><b>Advanced information technology platform boosted business development to achieve differentiated competitive advantage</b></p>	<p>The Company's investment in IT technology continued to be higher than others in the industry. Our IT team's professionalism maintained the leading position in the industry and the IT team applied independent development model. The Company developed a number of business support and management platform with advanced functions and gradually realized a breakthrough from technology-supported service to technology-driven service by focusing on customer's requirement and business's needs. At the same time, the Company captured the demands of market and customer based on massive database and big data platform to continuously improve the analysis and application ability of big data, and actively distributed in the frontier field of financial technology to efficiently help the leaping development of business. Furthermore, the Company took full advantage of IT technology, which effectively improved the efficiency of compliance and risk management.</p>
<p><b>The Company established market-based mechanism which could effectively stimulate the vitality and build excellent talents team</b></p>	<p>The establishment of market-based mechanism has been the core of reform for the Company, and the source of vitality for promoting continuous improvement of the Company. In recent years, the Company has established and improved the mechanism for selection and appointment of talents based on ability and performance as well as market-oriented employment mechanism and compensation incentive mechanism with a view to introducing top university graduates at home and abroad, mature and professional talents in important fields and leading talents in the industry into the Company, which significantly enhanced our competitiveness and power in talents. In respect of this, the management team and staff team of the Company have stronger sense of urgency for reform and efficient executive power, which is also the internal power of the Company's continuous transformation and breakthrough.</p>
<p><b>The Company adhered to the concept of customer service orientation to form the advantage of whole business chain linkage service</b></p>	<p>The overall organizational structure design and management and operations of the Company closely focused on customer-oriented concept, committed to accurately grasping and timely responding to customer needs, and rapidly forming corresponding services. In the meantime, benefitted from the highly consistent strategic concept and complete coordination mechanism of the Company, the ability of the allocation of whole business chain resources was strong with high resource integration efficiency.</p>

## IV BUSINESS COVERAGE

Huatai Securities has broad business coverage with 242

business branches and 29 subsidiaries in the PRC.

It advanced the strategy of internalization stably by

Huatai Financial Holdings (Hong Kong) and

the acquisition of AssetMark.

Note: The map and presentation in this section do not represent standard geographic maps, but for the purpose of presenting business coverage of the Company only.



The Company successfully completed the acquisition of AssetMark in 2016, which effectively facilitates the transformation of wealth management business and the connection with international resources. It makes a key step in the layout of international development.



**Huatai Financial Holdings (Hong Kong) Limited**

The registered capital of Huatai Financial Holdings (Hong Kong) was HK\$8.8 billion, which ranked top in the industry in Hong Kong. Huatai Financial Holdings (Hong Kong), as a wholly-owned subsidiary of the Company, has provided comprehensive services for customers all over the world through the position advance of Hong Kong as a global financial center.





# Management Discussion and Analysis

## I. DISCUSSION AND ANALYSIS ON OPERATION

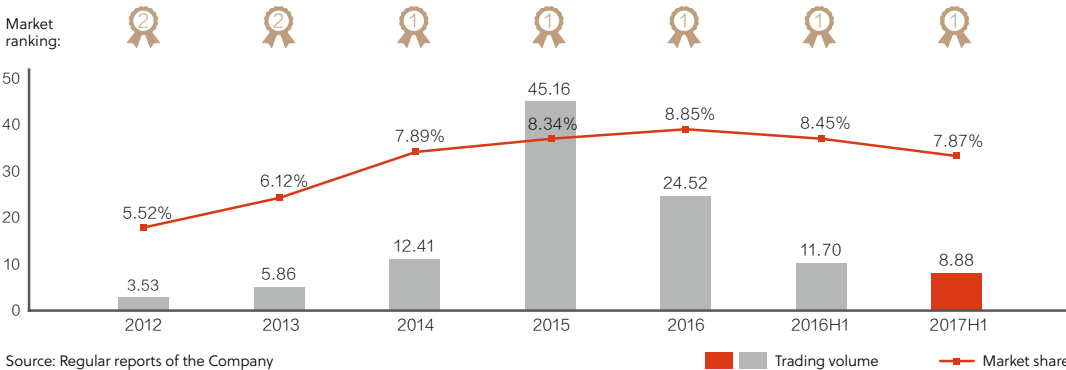
### (I) Brokerage and Wealth Management Business

#### 1. Performance and Competitiveness

##### (1) Secured first position in trading volume of stocks and funds transaction in the industry.

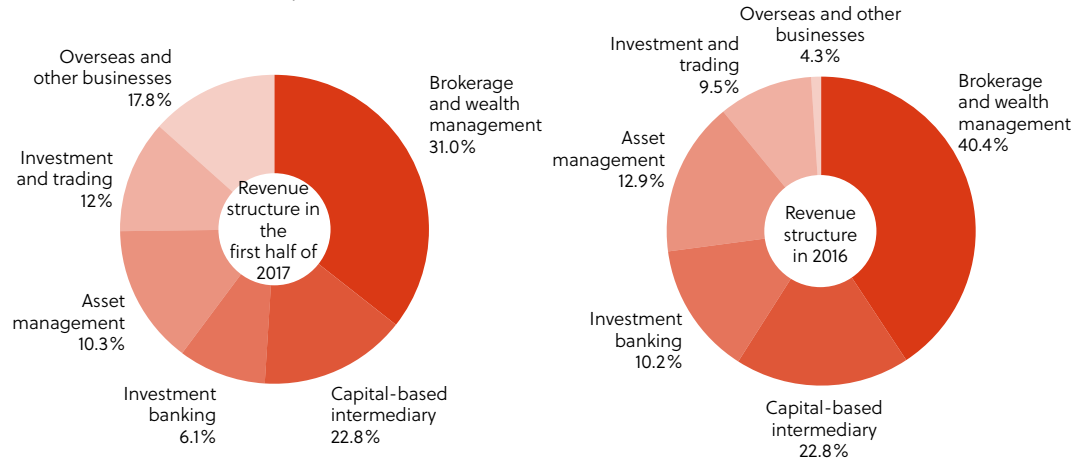
During the Reporting Period, the Company took a lion's share (7.87%) of the trading volume of stocks and funds transaction at the market, securing the first position for three years in a row, and the accumulated number of clients added up to over 11.7 million, according to the statistics from WIND information. The Company's enormous client base and extensive client coverage as well as its prominent leading edge in trading market share are one of the vital core competencies of the Company. Maintaining and expanding industry leadership in market share, continuing to expand customer base and customer asset size are the unwavering significant strategic tasks of the Company and are also the important basis for the transformation of comprehensive wealth management of the Company.

Company's market share in terms of trading volume of stocks and funds Unit and Currency: RMB trillion



**(2) The revenue structure of the Company's business has been transforming to a more balanced direction, and the proportion of revenues from non-channel business improved significantly.**

Revenue structure of the Company

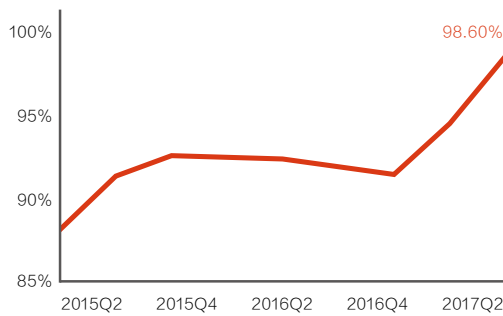


Source: Regular reports of the Company

**(3) Consolidated strength of the mobile terminal "ZhangLe Fortune Path".**

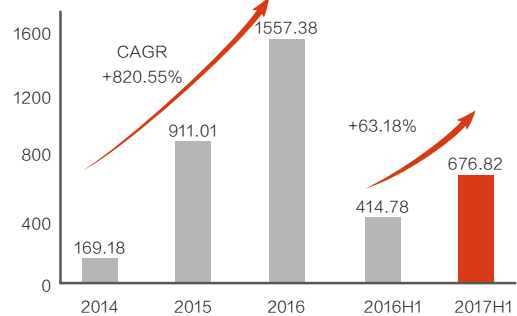
"ZhangLe Fortune Path" has been downloaded for 33,145,500 times on a cumulative basis since its launch online in 2014, and long ranked No. 1 among the brokers' APPs in terms of monthly active users (MAU), with up to 6,095,900 MAU in June 2017, according to the data from Analysys. Accounts opened through the mobile terminal "ZhangLe Fortune Path" accounted for 98.6% of total accounts opened in the second quarter of 2017 thanks to the Company's forward-looking strategy on mobile internet.

Percentage of new accounts opened on the mobile terminal by quarter



Source: Internal statistics from the Company

Number of newly downloading ZhangLe Fortune Path



Source: Internal statistics from the Company

**(4) Steady development and innovation of options and futures business gradually effectuated strength.**

Stock option brokerage business of the Company achieved a steady growth in trading volume and a gradual improvement of professional service system, with the total trading volume of 7,715,500, accounting for 9.23% of the market share during the Reporting Period. As for the futures brokerage business, as of the end of the Reporting Period, the Company had 5 branches and 36 futures branches in 4 municipalities directly under the central government and 14 provinces across the country.

**(5) Sales of financial products.**

During the Reporting Period, the Company continued to improve the product assessment business system and continuously enhanced requirements for eligibility management of clients and comprehensively sorted out whole business process management, with the number of financial product ownership rising steadily. The total amount of sales and the total income from agency sales of financial products are set out as below:

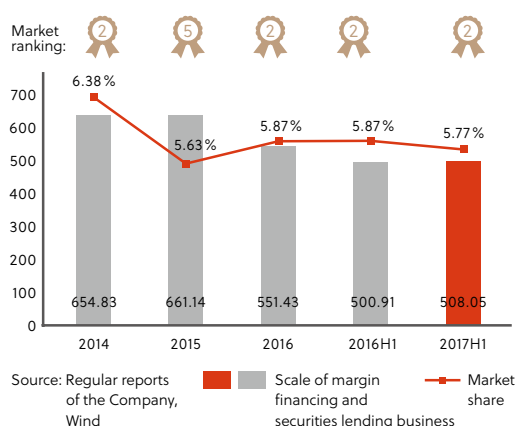
Unit and Currency: RMB

Agency sales business of financial products	Amount in the current period		Amount in the corresponding period of last year	
	Total sales volume	Total sales income	Total sales volume	Total sales income
Fund	5,712,523,497.30	66,955,255.97	12,836,701,527.37	109,339,173.91
Trust	1,589,850,700.00	2,122,641.51	—	—
Others	1,555,487,982,933.90	2,934,277.52	2,031,085,046,783.48	2,427,480.17
Total	1,562,790,357,131.20	72,012,175.00	2,043,921,748,310.85	111,766,654.08

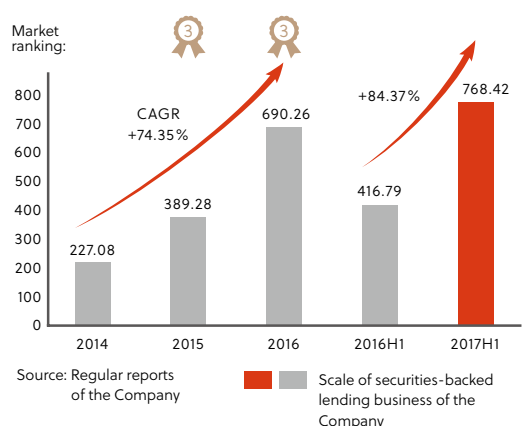
**(6) Sustained steady growth in overall capital-based intermediary business.**

With an emphasis on development and cultivation of client resources and building of the client service system, the Company continuously intensified the client service connotation based on client needs, contributing to an improving client structure. As of the end of the Reporting Period, the balance of the margin financing and securities lending business of the parent company was RMB50,805 million, with a market share of 5.77%, ranking No. 2 in the industry, and the overall guarantee ratio was kept at 330.32%. During the Reporting Period, the stock-pledged repurchase business of the Company was in continuous growth trend. As of the end of the Reporting Period, the pending repurchase balance of the business amounted to RMB76,842 million, and the average fulfilment guarantee ratio was 236.28%.

Scale and ranking of margin financing and securities lending business of the Company  
Unit and Currency: RMB 100 million



Scale and ranking of securities-backed lending business of the Company  
Unit and Currency: RMB 100 million

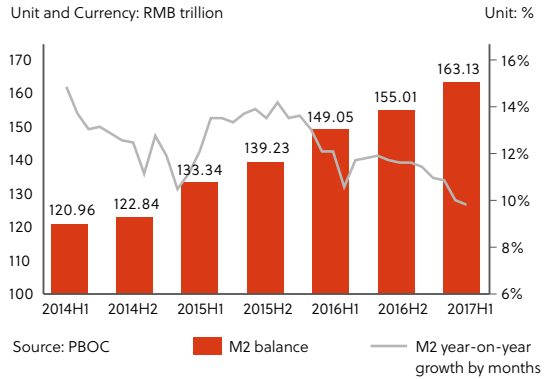




## 2. Analysis of Industry Trend

(1) Marked increase in residents' needs for wealth management. China's broad money supply M2 came to RMB163.13 trillion in middle 2017, and the year-on-year growth significantly dropped to 9.40%. The People's Bank of China made clear to the market that it would keep the monetary policy prudent and neutral without massive release of liquidity, which implies an urgent need for improved efficiency of money in stock from the macro perspective, further highlighting the importance of the capital market. On the micro front, residents' needs for (non-real estate and non-luxury) wealth management are increasing significantly on the back of strengthened real estate control and stricter restrictions on loans and purchases.

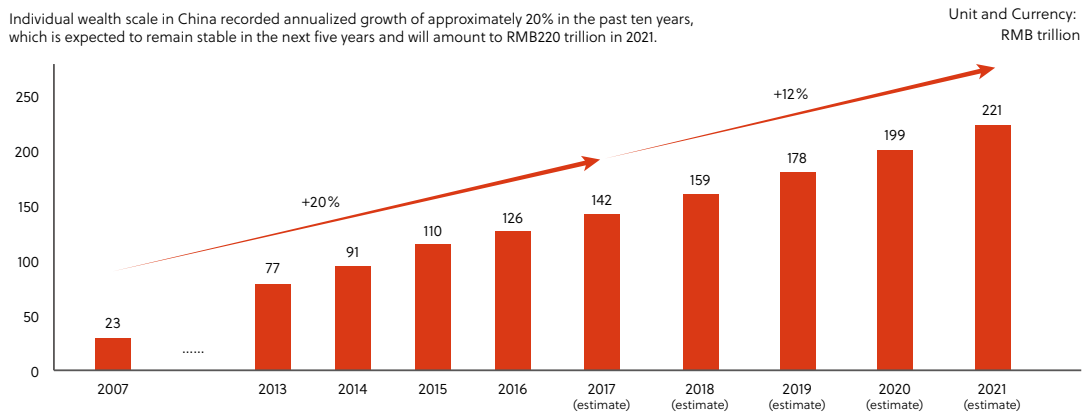
M2 balance of total broad monetary and year-on-year growth (by months)



(2) Brokerage and wealth management business badly in need of transformation. Given coordinated promotion of lawful, stringent and comprehensive regulation philosophy and implementation of the administration of the appropriateness of investors on July 1, 2017, the market will obviously set higher requirements for the wealth management capability of securities companies in the future. This strict regulatory environment will further differentiate the industry, favoring those securities companies which endeavor to improve the service capability earnestly following client-centered philosophy and strictly stick to the bottom line of compliance and risk control.

### Total financial assets invested by individuals in China

Individual wealth scale in China recorded annualized growth of approximately 20% in the past ten years, which is expected to remain stable in the next five years and will amount to RMB220 trillion in 2021.



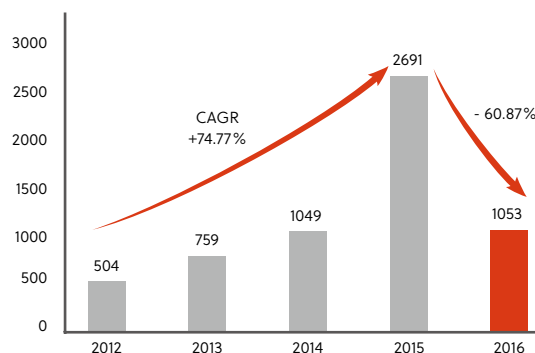
Source: BCG global wealth database; BCG analysis.

Note: Financial assets invested by individuals include offshore assets, not including non-financial assets, such as real estate and luxury goods.

(3) Further decline in percentage of income from pure brokerage passageway business. Commission rate of securities brokerage business may continue to decline albeit at a slow pace, and the pure passageway business will continuously come under pressure, but rising residents' needs for wealth management will also push the industry to explore new growth drivers for income and profit from wealth management. Challenges and opportunities co-exist.

(4) Extended financial technology wave. Mobile internet becomes more widely used along with iterative upgrades of Internet technology. Clients will continue to tend to conduct financial-related activities on mobile phone. Transaction, wealth management, payment, bookkeeping, research, credit and other financial needs will continue to emerge extensively on the back of further development of financial technology. The securities industry will strengthen basic application of financial technology in transactions, and thus, financial technology will be more involved in wealth management. On the one hand, investors' increasing demands for smart asset allocation will contribute to extensive application of relevant technologies in asset allocation. On the other hand, rapid development of artificial intelligence, big data and other technologies not only catalyse the appearance of service means including smart transaction and smart investment consulting but also enable public investors to share such high-end service means.

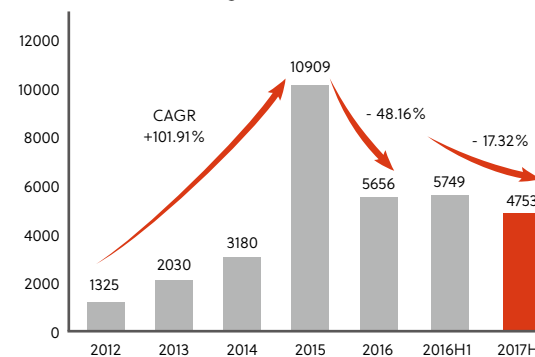
Net income from the client securities brokerage services in the securities industry  
Unit and Currency: RMB 100 million



Source: Securities Association of China

Note: Growth rate represents the compound annual growth rate

Total daily trading volume of Shanghai Stock Exchange and Shenzhen Stock Exchange  
Unit and Currency: RMB 100 million



Source: Wind

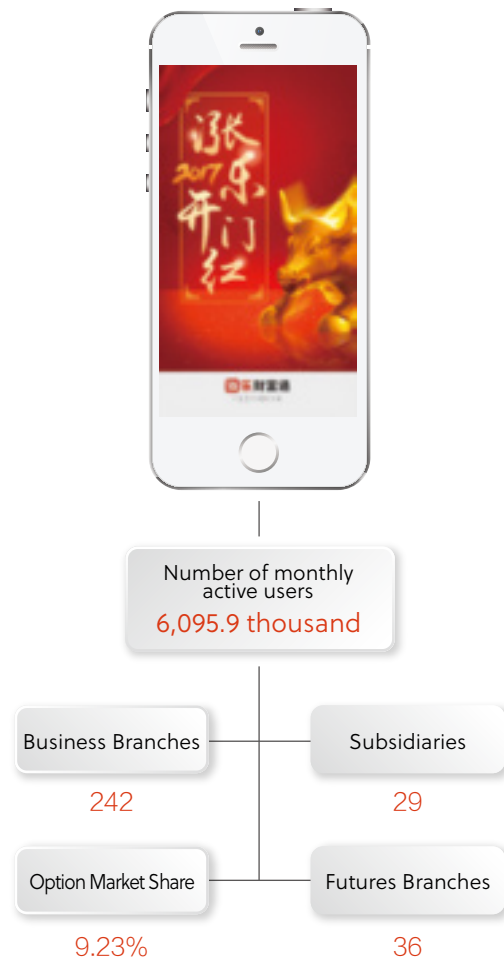
Note: Growth rate represents the compound annual growth rate

### 3. Actions and Strategies

The Company formally identified a strategic objective of comprehensive Internet-based business in 2009. In 2010, we launched a mobile wealth management terminal "ZhangLe" (漲樂), initially moving into the mobile internet service. In 2014, we launched "ZhangLe Fortune Path" (漲樂財富通), our new generation and function-comprehensive mobile wealth management terminal, making a key step for consolidating the leading position of the Company in brokerage business. After that, years of strategic insistence bloomed soon and historic breakthroughs were achieved. However, currently, the industrial competition remains fierce, thus our principal strategic support is to maintain the industrial leading position in market share and client scale. In the future, the brokerage and wealth management businesses of securities companies will be divided and differentiated at an accelerating rate, and we need to stick to our strategy and further carry out wealth management transformation.

(1) During the Reporting Period, the Company adjusted its organizational structure, further established the customer-centered concept and corresponding organizational structure and gave full play to its collaborative advantages in the whole business chain so as to promote the transformation of wealth management.

- (2) Further enhanced online and offline blending: The Company built a new brokerage and wealth management service system, endeavoured to enhance the middle office services support, improved the service ability of mobile platforms, built a professional investment advisors team and investment service platform, and set up a sound financial product platform, a new service system and pricing mechanism, so as to promote efficient collaboration between online and offline service resources.
- (3) Domestic and overseas linkage: The Company learned from AssetMark regarding its management system and service system and improved its own wealth management system.
- (4) Innovative businesses including futures and options: The Company propelled implementation and extension of innovative businesses and leveraged its platform advantages to focus on expanding and improving businesses.
- (5) Strengthened the leadership of financial technology: During the Reporting Period, the Company launched several innovations in the mobile terminal of “ZhangLe Fortune Path” ( 漲樂財富通 ). In the future, the Company will further focus on omnibus account, strengthen advantages in transaction functions, build a fortress and core competitiveness of transaction ability and further intensify application and innovation of big data.



## (II) Institutional business

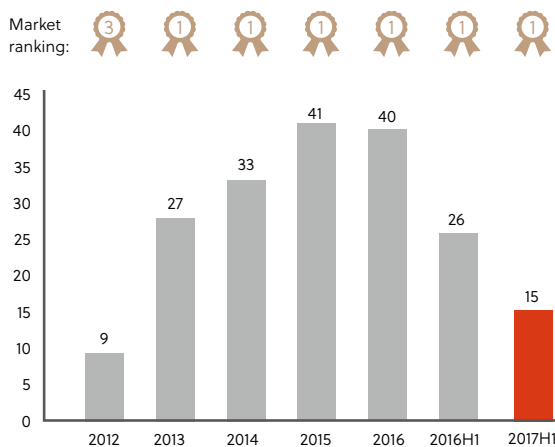
### 1. Performance and Competitiveness

#### (1) Investment banking

##### ① Merger and acquisition and reorganization

During the Reporting Period, in a new regulation situation, mergers and acquisitions and reorganization businesses declined sharply and the market transactions became less active, but the Company accurately grasped the market trend and important project resources, with a sustained No. 1 ranking in the number of transactions in the industry. According to the statistics from WIND Information, the Company served as independent financial advisor for 15 projects (ranked No. 1 in the number of transactions in the industry) and launched 6 mergers and acquisitions and reorganization projects upon approval by the CSRC (No. 3 in the industry), involving a transaction amount of RMB35.433 billion (No. 1 in the industry).

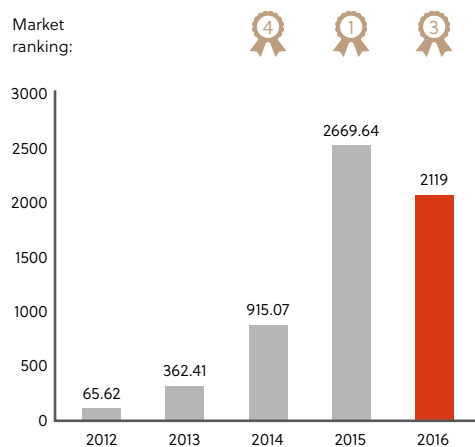
Number and ranking of merger, acquisition and reorganization



Sources: Wind

Number

Unit and Currency: RMB 100 million



Sources: Wind

Transaction amount

Information of merger and acquisition and financial advisory business (consolidated data) during the Reporting Period :

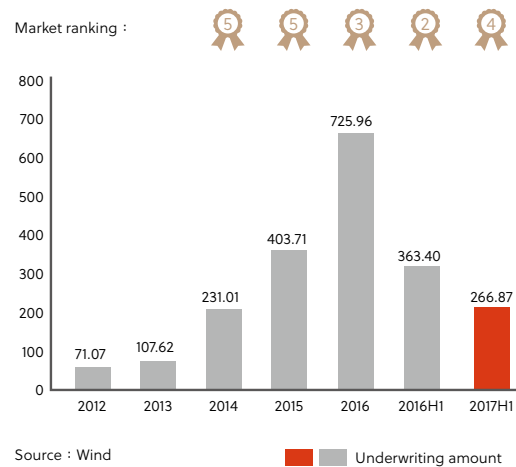
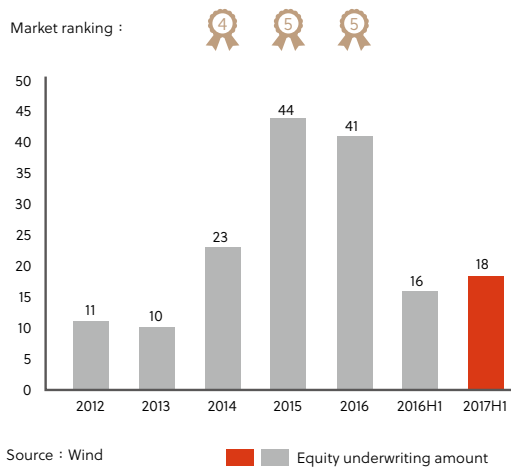
	Currency: RMB		
	Net income for the period (ten thousand)	Number	
	This period	This period	Accumulated over the years
Merger and acquisition and financial advisory business	27,268.47	82	1,095

② **Equity underwriting business**

Given good performance last year, during the Reporting Period, the Company firmly grasped the opportunity of IPO normalization, completed eight IPO projects and raised RMB2.230 billion based on the caliber on the payment date. Tightened policy on second offerings has brought some impacts on the Company's equity underwriting business in the short term, but it gave the Company a chance to improve its business structure. During the Reporting Period, the Company completed 10 second offering projects, raising RMB16.304 billion. According to the statistics from WIND Information, the Company recorded a total equity underwriting amount (including IPO, additional issue of shares and allotment of shares) of RMB26.687 billion, ranking No. 4 in the industry.

Amount and ranking of equity underwriting of the Company

Unit and Currency: RMB 100 million



**Explanations:**

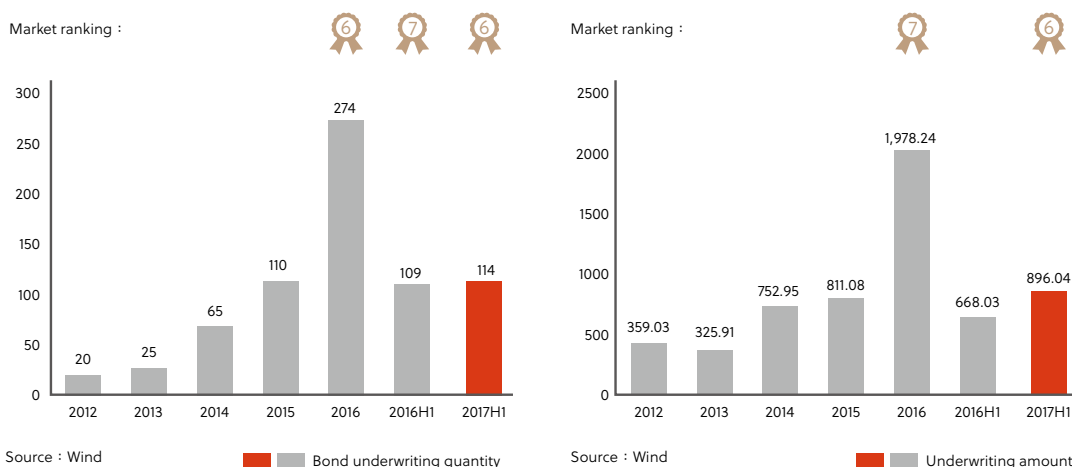
- Equity underwriting includes IPO, private placement, public offering and share allotment; the rankings of equity underwriting are calculated according to the issuance details of Wind IPO, additional issuance and share allotment
- The statistical caliber of Wind is issuance date, while the statistical caliber of the Company's regulatory reporting is payment date. Therefore, there exist differences between the data from the Wind and the statistical data of the Company

③ **Bond underwriting business**

Although the bond market underwent weak adjustments in the Reporting Period and the yield rate in the secondary market rose significantly, the Company saw a reverse rise in the ranking of bond underwriting business based on its long-term commitment to the business, platform resources devoted, and advantages in collaboration and innovation established. According to the statistics from WIND Information, the underwriting amount of lead-underwriting projects of full variety bonds totalled RMB89.604 billion (No.6 in the industry) during the Reporting Period, involving 114 underwriting projects (No. 6 in the industry).

Quantity, amount and rankings of the Company's bond underwriting

Unit and Currency: RMB 100 million



Explanations:

1. The statistical caliber of Wind is issuance date, while the statistical caliber of the Company's regulatory reporting is payment date. Therefore, there exist differences between the data of the Wind and the statistical data of the Company
2. For the calculation method of issuing quantity, the statistical caliber of Wind is different from that of regulatory reporting

Consolidated data

Currency: RMB

Issuance category	Times of lead underwriting (time)		Lead underwriting amount (RMB'0,000)		Lead underwriting income (RMB'0,000)	
	Current Period	Accumulated over the years	Current Period	Accumulated over the years	Current Period	Accumulated over the years
Issue of new shares	8	149	222,987.96	9,468,054.62	14,638.45	400,829.59
Additional issue of shares	10	134	1,630,376.89	19,527,558.24	12,247.51	176,051.50
Allotment of shares	—	30	—	1,002,136.78	—	19,236.96
Issue of bonds	47	454	6,782,470.00	47,094,592.53	11,822.56	216,398.72
<b>Total</b>	<b>65</b>	<b>767</b>	<b>8,635,834.85</b>	<b>77,092,342.17</b>	<b>38,708.53</b>	<b>812,516.78</b>

Note: The above data is from the regulatory reports of the Company; preferred shares are included in the additional newly issued shares; bonds issuance is all-inclusive which counts in treasury bonds, enterprise bonds, corporate bonds (including exchangeable bonds), convertible bonds, short-term financing bonds and medium-term notes, etc.

(2) OTC businesses

The Company timely adjusted the OTC business structure, deeply understood and served enterprises in the early stage and start-up stage, accumulated customer resources in the emerging industries and fully leveraged its platform advantages to provide listed companies with whole business chain services. The Company's holding subsidiary Jiangsu Equity Exchange continuously promoted new sector building, actively studied pilot of privately placed convertible bonds and proactively integrated business resources.

### (3) Institutional sales and research

For institutional sales, the Company promoted establishment of institutional sales and transaction platform, explored the needs of institutional investors in an all-round way, and strengthened the promotion and sales of all kinds of securities trading services and financial products to institutional customers, so as to meet diversified needs of institutional investors. In respect of research business, the Company vigorously propelled the integration of the research businesses in Mainland China and Hong Kong and kept improving supporting capacity of asset allocation across regions. Customer coverage and cooperation type of the Company in research business became more comprehensive during the Reporting Period. The Company issued 2,148 research reports and the market share of the sub-position transactions of the Company for mutual funds was 4.15%.

The Company strived to develop prime brokerage business, kept improving business system and process and promoted integration of background operation, service and management platforms of products. As of the end of the Reporting Period, the Company had 1,371 fund custody products and the business scale of fund custody reached RMB49.742 billion, and there were 2,175 private fund service business products (including 873 products of asset management subsidiary) and the service business scale reached RMB1,002.845 billion (including the business scale of asset management subsidiary of RMB957.174 billion).

## 2. Analysis of Industry Trend

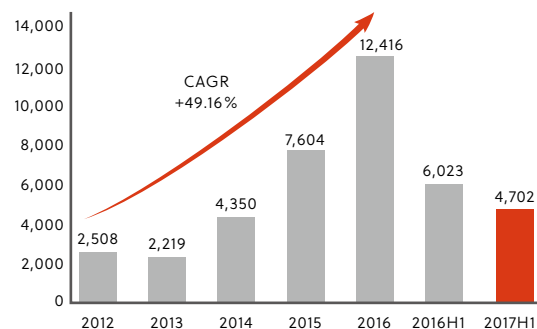
### (1) The financial system will return to its nature of serving the real economy, deleveraging will continue, the proportion of direct financing will further increase, and the importance of the capital market will become evident.

In the 2017 National Financial Work Conference, it is emphasized again that top priority should be given to the development of direct financing, and a multi-level capital market should be formed with complete financing functions, solid fundamental system, effective market supervision and protection of investors' legitimate rights and interests. In the future, the capital market will continue to embrace its period of strategic opportunity.

### (2) Continued efforts will be made to push forward market-oriented reform of the capital market.

In the 2017 National Financial Work Conference, it is emphasized that the decisive role of the market in the allocation of financial resources should be displayed. It means the orientation of the reform of the capital market will not change, which is that the market-oriented financial institutions finally obtain corresponding market dividend via market-driven competition.

Domestic stock financing from non-financial enterprises: accumulated quantity  
Unit and Currency: RMB 100 million



Source : Wind

① In assets stock, market-oriented mergers and acquisitions and reorganization will continue, industry transformation and upgrading will be realized, and the operating efficiency will be improved to serve the real economy. In the future, the merger and acquisition and restructuring market will focus more on the real value of assets, the synergy of transactions and priority of quality, and the leading role of market mechanism will be strengthened.

② In assets increment, normalization of IPO will continue.

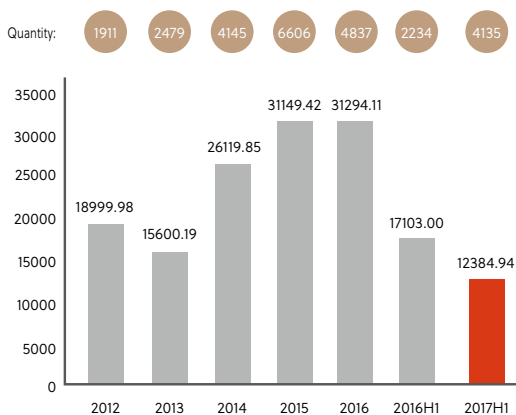
Cessation and restart of IPO in the past have caused significant impacts of fluctuations to the investors' expectations. Normalization of IPO has been sustained since 2016. Under the guidance of regulatory policies, the trend is expected to continue, which can help stabilize the expectations of issuers and the market. For investment banking, simply providing homogeneous services will be hard to stand out in competition and the Company needs more professional and comprehensive service capabilities to attract high-quality clients in the future.

**(3) The regulators practice the lawful, stringent and comprehensive regulation philosophy.**

In recent two years, regulation has been strengthened intensively and extensively. In the future, such a regulation philosophy will be further implemented with regulation expected to further focus on aspects such as the truthfulness of assets, standardized reorganization, stock selling and stock dividend and conversion, and efforts will be made to improve the basic market system including information disclosure, delisting and shareholding and exercise and properly dispose of high- risk companies including delisted companies. For institutional business, the industry will continue to face pressure of risk control and compliance, which in turn will force securities companies to actually improve their risk management capabilities and hold the bottom line in compliance.

Quantity and size of industry mergers and acquisitions

Unit and Currency: RMB 100 million

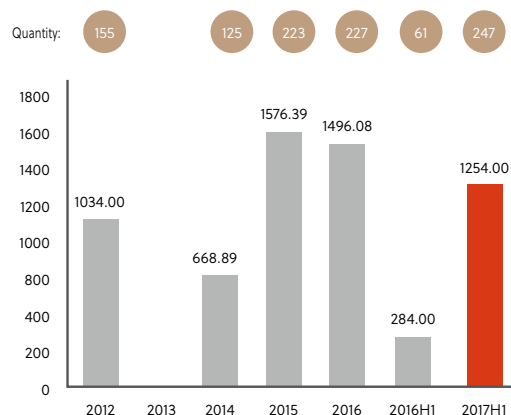


Source : Wind

Trading amount

Quantity and size of IPO

Unit and Currency: RMB 100 million



Source : Wind, subject to the completion of issuance and reception of funds

Underwriting amount

Including onshore and offshore sectors, as well as outbound and inbound sectors. Subject to the completion of merger and acquisition and reception of funds



### 3. Actions and Strategies

Huatai Securities started reform of institution business in 2011. In particular, the Company first leveraged its market-based and specialized advantages in mergers and acquisitions and reorganization business, implemented its reform strategies and built core competitiveness. It has stayed at a No. 1 position in the number of mergers and acquisitions and restructuring deals for five consecutive years. In the past five years, marked progress has also been achieved in other investment banking businesses including IPO, refinancing and bond underwriting under the guidance of the whole-business chain system. In the future, the Company will continue to focus its institutional business on investment banking, leverage its market-oriented and specialized competitiveness to drive transformation of institutional business, firmly carry out the whole-business chain strategy so as to realize material development of institutional business in light of strategic opportunity window for the capital market.

- (1) During the Reporting Period, the Company adjusted the institutional business organizational structure, laying a solid foundation for taking advantages of full business chain services and improving its ability to provide comprehensive customer services.
- (2) Further gave play to the advantage of a whole business chain: dominated by investment banking business and supplemented by institutional sales and research business, asset management, investment trading and wealth management, the Company provided all-around services in all business chains to improve customer satisfaction.
- (3) Focused on the industry and regional exploitation, and further promoted the business model of professional specialization plus systematic collaboration.
- (4) In compliance with relevant provisions, enhanced coordination of domestic and overseas, and on exchange and off exchange cross-market businesses.
- (5) Further increased the awareness of controlling compliance risks, and adhered to the bottom line of compliance.

#### 4. Major Clients



### (III) Investment Management Services

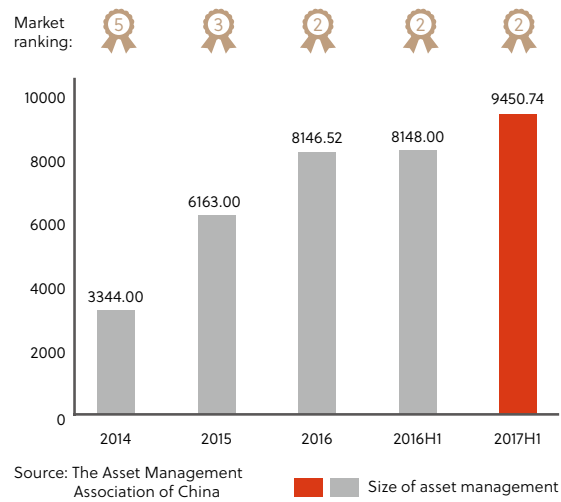
#### 1. Business Performance and Competitiveness

##### (1) Asset Management Business

###### ① Asset management business for securities companies

The new normality of comprehensive and strict supervision and regulation is promoting the asset management business return to the origin. In the future, under the framework of unified regulation, regulatory arbitrage space will be compressed and transformation of asset management to active management will be the general trend. Since 2014, the Company's asset management services maintained a momentum of rapid growth backed by its full business chain, holding a leading position in the industry. Meanwhile, Huatai Asset Management has been taking multiple measures and determined to carry out reforms to active management, thereby improving its investment management level. According to the 2017 second quarter statistics from Asset Management Association of China, the Company's asset management business totalled RMB945.074 billion, ranking second in the industry. According to the statistics from WIND Info, Huatai Asset Management's total amount of issuance through enterprise asset securitization business reached RMB17.722 billion, representing an increase of 122.05% as compared with the same period last year, ranking third in the industry.

Size and ranking of asset management of the Company  
Unit and Currency: RMB 100 million

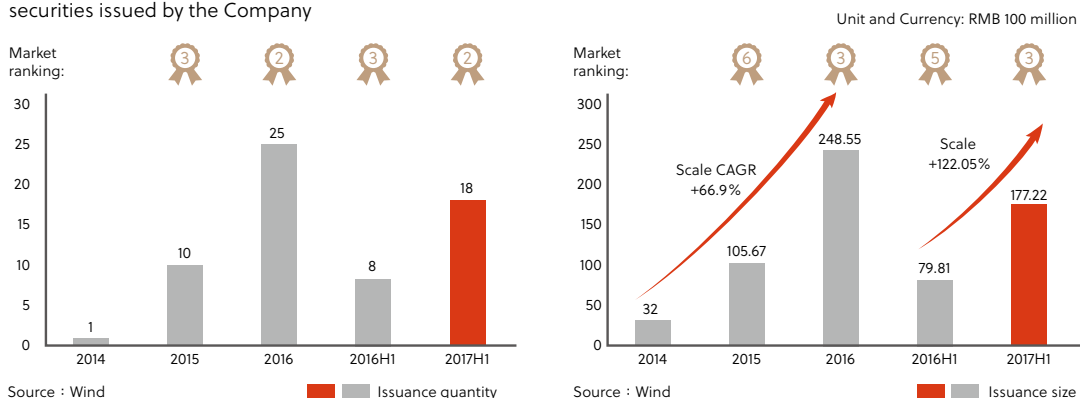


The table below sets forth the scale and income of Huatai Asset Management's asset management business during the Reporting Period:

Item	January-June 2017		January-June 2016	
	Entrusted Scale (RMB'00,000,000)	Net income (RMB'0,000)	Entrusted Scale (RMB'00,000,000)	Net income (RMB'0,000)
Collective asset management business	1,155.73	86,848.67	1,166.58	59,897.90
Targeted asset management business	7,925.25	19,969.40	6,844.13	11,720.31
Specialized asset management business	472.49	2,973.23	230.11	1,822.00

Note: The above data is from the regulatory reports of the Company.

Quantity, amount and ranking of the enterprises' asset-backed securities issued by the Company



### ② Private equity fund management business

The Company regulated its private equity fund management business in accordance with a series of regulatory policies and regulations, through which it actively adjusted to the regulation changes. As at the end of the Reporting Period, the Company set up a total of 17 private equity investment funds. The amount of the funds subscribed totalled RMB42.207 billion and the amount of paid-in contribution totalled RMB31.771 billion. During the Reporting Period, the Company carried out 25 investment projects via its private equity investment funds, among which 24 was equity investment projects and 1 was debt investment project; total investment amount was RMB1,495,859,800, among which, RMB1,455,859,800 was for equity investment projects and RMB40,000,000 was for debt investment projects.

### ③ Asset management business for fund companies

Being customer oriented, fund companies under the Company continued to strengthen control over compliance risks, improved the ability to develop innovative products, enhanced the ability to manage active investment, and strived to provide comprehensive and one-stop whole business chain services for customers. As for asset management business of China Southern Asset Management, as at the end of the Reporting Period, the assets managed by China Southern Asset Management amounted to RMB657.072 billion, representing an increase of 16.70% as compared with the same period of 2016; specifically, China Southern Asset Management managed a total of 134 funds in its mutual funds business, the total size of which amounted to RMB376.537 billion, representing an increase of 9.87% as compared with the same period of 2016; the size of private funds business amounted to RMB280.535 billion, representing an increase of 27.32% as compared with the same period of 2016. As for asset management business of Huatai-PineBridge, as at the end of the Reporting Period, the assets managed by Huatai-PineBridge amounted to RMB106.091 billion, representing an increase of 19.48% as compared with the same period of 2016; specifically, Huatai-PineBridge managed a total of 53 funds in its mutual funds business, the total size of which amounted to RMB91.645 billion, representing an increase of 4.56% as compared with the same period of 2016; the size of private funds business amounted to RMB14.446 billion, representing an increase of 1,162.76% as compared with the same period of 2016.

### ④ Futures asset management business

During the Reporting Period, Huatai Futures perfected the integrated investment and research system, made active efforts to introduce overseas investment advisory model, improved the investment advisory evaluation system, continued to increase internal management and business development capacity, and vigorously promoted active management business. As at the end of the Reporting Period, Huatai Futures managed a total of 67 asset management schemes which were in the duration period.

**(2) Investment and trading business**

**① Investments in equity securities and trading business**

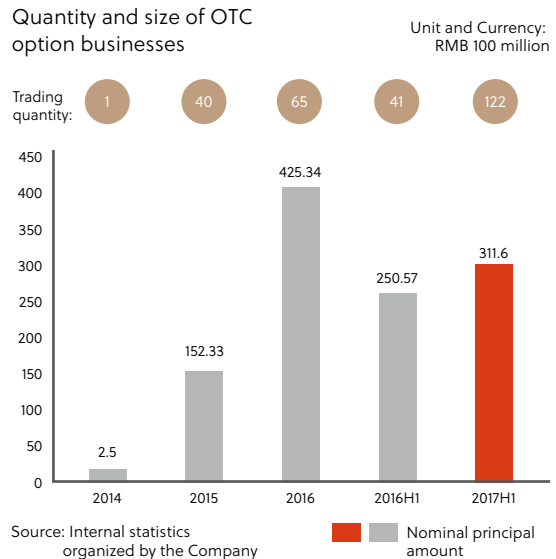
During the Reporting Period, the Company firmly adhered to the philosophy of “absolute return” in value investment, carried out research on fundamentals, explored investment categories with safety margin, made preparations for Hong Kong Stock Connect proprietary investment transaction businesses, kept pushing forward the construction of an investment management system featuring integrated investment and research, and improved investment research ability and investment performance in a comprehensive manner. The Company made active efforts to transform and upgrade inside quantification and hedging investment business and promote the value-based hedging model, constantly improved the strategic investment system, continued to conduct strategic research in greater depth and wider range, realized effective allocation of value-based investment objectives, and actively carried out diversified strategic investment transactions. The Company proactively developed the NEEQ market making business and intensified the research on NEEQ market making varieties. As at the end of the Reporting Period, the Company has provided market making and quotation services for a total of 88 listed enterprises and the total value of the market making business amounted to RMB744,636,500.

**② Fixed income investment and trading business**

During the Reporting Period, according to the new regulatory and market environment, the Company steadily promoted the FICC business layout. The Company adhered to the “non-directional” concept and the concept of finding and creating value with credit, constantly adjusted, optimized and enriched the investment strategy, actively expanded the breadth and depth of strategic research, continued to promote the construction of relevant systems and platforms, and enhanced the fineness and professionalism of investment management.

**③ OTC financial products and trading business**

The Company continued to improve the functions of OTC market trading system, optimized business system and procedure, implemented the new administrative regulations for eligibility management of investors, and orderly and lawfully carried out businesses like offerings and dealings of private equity products and OTC financial derivatives. During the Reporting Period, the Company issued 80 private equity products with a total amount of RMB8.99 billion. During the Reporting Period, the Company recorded a net increase of 64 OTC option transactions. As of the end of the Reporting Period, there were a stock of 122 businesses with nominal principal amount of RMB31.16 billion.



**④ Alternative investment business**

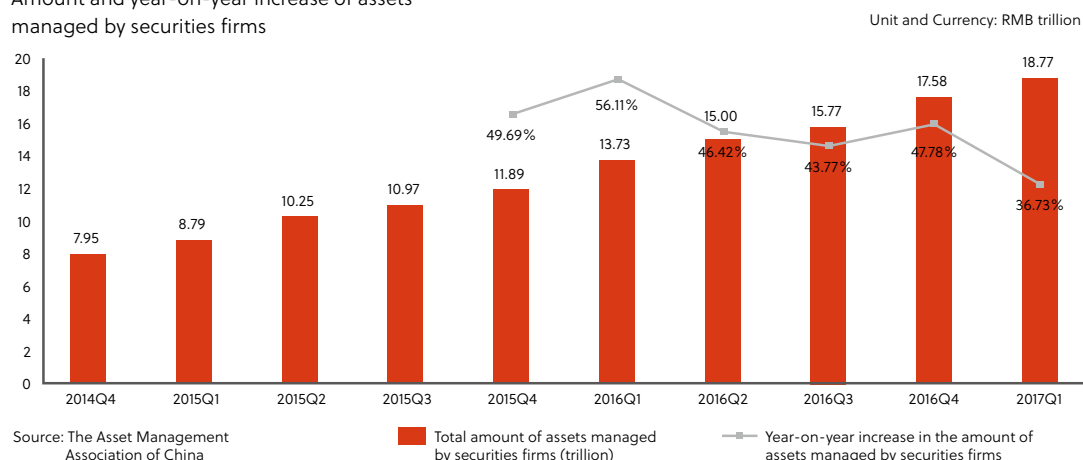
The Company carried out alternative investment business through its wholly-owned subsidiary Huatai Innovative Investment. As of the end of the Reporting Period, there were 4 subsisting projects. The investment varieties include qualified domestic limited partner, asset management plan, cross term arbitraging of bulk commodity, delayed settlement contract project of Shanghai Gold Exchange, etc. Idle funds were mainly used for liquidity management of bonds at the exchange.

## 2. Analysis of Industry Trend

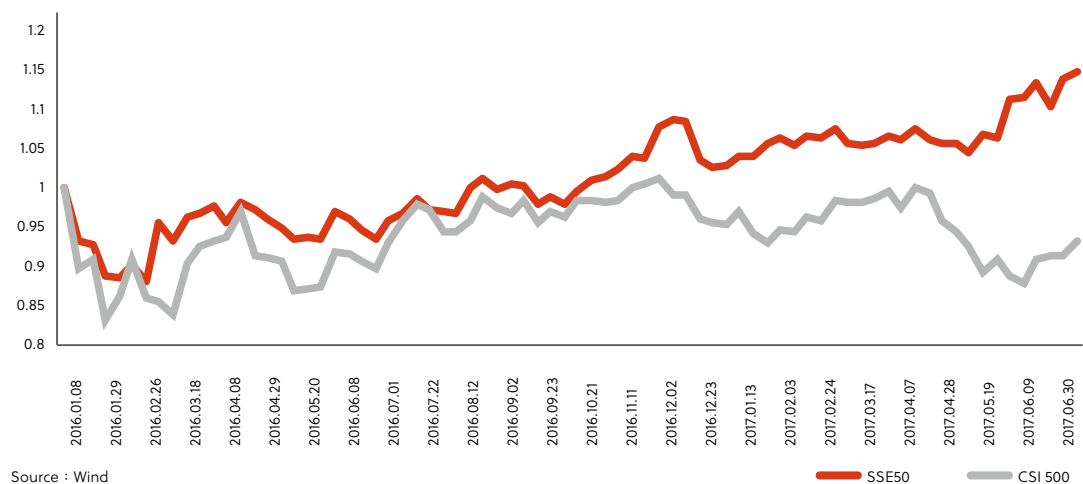
### (1) Asset management business:

Given continued general trend of stricter regulation, dechannelizing and deleveraging, the asset management industry will gradually return to asset management as its main business but still with room for improvement. Active management capability will be the core competitiveness of securities companies in the asset management business in the future.

Amount and year-on-year increase of assets managed by securities firms



Trend of SSE 50 and CSI 500



### (2) Investment and trading business:

Lawful, stringent and comprehensive regulation will be maintained as a result of sharp fluctuations in the stock market over the past three years, and stocks will continue to differentiate in the future given the steady advancement in market-oriented reform in the capital market. The current market environment poses growing challenges for momentum investors with high directional risks. It is expected that investment and trading business of the securities industry will gradually restore its value, and the “de-directional” trend will represent the new industrial development trend.

### 3. Actions and Strategies

#### (1) Asset management business

The Company set up an asset management subsidiary in 2014, formally raising the curtain of transformation and reform of the asset management business. Following the market-oriented and professional principle, the Company introduced outstanding talents and improved the organizational structure and mechanism, enabling it to capture the opportunity of brisk growth in asset management business in 2014–2016, with its industrial ranking in the scale of assets under management moving up to the second position in late 2016 and maintaining the same during the Reporting Period. Stricter regulation, dechannelizing, deleveraging and risk prevention will become the keynote of the industry in 2017, and thus, short-term decrease may be inevitable. However, along with residents' increasing needs for wealth management, direct financing, capital market will be placed in a more important position. The asset management industry still presents broad growth potentials. In this context, the Company needs to firmly carry out the reform and transformation of asset management business to further strengthen its core competency.

In the future, regarding the asset management business, the Company will, based on its whole business chain strategy, return to the origin of asset management and use the strategy and thinking of investment bank to enhance its product innovation capacity and develop a differentiated product system. Besides, it will make efforts to vigorously develop public offering and Internet business, establish a comprehensive institutional business service system, accelerate the transformation and upgrading of business system and enhance the professional investment management capability and brand influence.

#### (2) Investment and trading business

In 2011, the Company formulated a “de-directional” strategy for its investment and trading business, staying away from high-risk and large-scale trend investments. It might require the Company to resist the temptation of short-term returns in an overheating market and thus stable development of investment and trading business can be guaranteed and the Company will be exposed to fewer risks. From 2014 to 2016 and during the Reporting Period, the equity investment and trading business has maintained positive returns and good results. Thanks to a “de-directional” strategy, the fixed-income investment and trading business has maintained stable development despite violent fluctuations in the fixed-income market in the past year. In the future, the Company will stick to the “de-directional” strategy and the fundamental principle of “large scale, low risk and absolute return” in the investment and trading business to better adapt to the market changes. It will also optimize investment strategy and build an upgraded professional transaction platform to enhance bond credit assessment capability and risk value exploration capacity, actively develop big data investment strategy and technology, and enhance core competitiveness of transactions and capabilities for acquiring absolute profit.

## (IV) International Business

### 1. Performance and Competitiveness

#### (1) Huatai Financial Holdings (Hong Kong)

As at the end of the Reporting Period, the paid-in capital of Huatai Financial Holdings (Hong Kong) amounted to HKD8.8 billion, which is among the highest in the Hong Kong industry. During the Reporting Period, Huatai Financial Holdings (Hong Kong) continued to use its own advantages to seize the historic opportunity brought by the globalization of Chinese outbound capital, and to provide all-around overseas investment and financing services for domestic customers, thereby supporting the Company's international strategy by means of organic and inorganic expansion. The Company made some progress in overseas investment banking, research and sales of stocks, fixed income products and transactions in the Reporting Period. The Private Wealth Management Department has established a platform to lay a foundation for building wealth management system further. During the Reporting Period, Huatai Financial Holdings (Hong Kong) provided research reports and advisory services for about 3,500 customers, completed 4 financial advisory projects and 1 structured investment and financing project, and participated in 1 IPO project and 1 bond issue project.

#### (2) AssetMark

As at the end of the Reporting Period, the total asset under management of the AssetMark platform reached USD36.709 billion, representing an increase of 13.82% as compared to the end of 2016, covering over 7,050 investment advisors and more than 100,000 end investors. In the first half of 2017, AssetMark realized an operating income of US\$86.4294 million (equivalent to RMB594.5352 million).

Business advantages: AssetMark created a full-service TAMP model through combination of investment products, technology platforms and quality customer services. It has four unique advantages:

Four core advantages of AssetMark





- ① Asset management excellence. AssetMark implemented rigorous procedures for due diligence of managers of investment products and strategies introduced on the platform, put them on records and conducted ongoing monitoring and performance review. Meanwhile, it has a self-developed investment framework for investment advisors to better select products, and build diversified portfolios on the platform.
- ② Compelling technology platform. With strong online service capability, AssetMark developed the "ewealthmanager", an integrated Internet technology platform for investment advisors. Through this platform (which can be accessed via PC and iPad), investment advisors are enabled to conduct investment management, account opening, customer relationship management, custodian, money transfer and other operations online.
- ③ Thought leadership. AssetMark puts a high premium on assisting investment advisors in improving business operation capability. Its practice management service helps customers develop and carry out marketing plans, optimize operational efficiency to reduce costs, maintain relationship with suppliers, and communicate more effectively with investors through trainings, seminars and other means.
- ④ Deep relationships with customers. AssetMark has an advanced internal customer segmentation system. Meanwhile, it has a specialized and productive sales team, which provides more targeted services and comprehensive solutions according to customers' needs.

## 2. Industry Analysis

### (1) International trend has spawned new business opportunities

As the wealth of residents increases, the number of high net worth individuals and financial assets investable by individuals hit record highs, indicative of a continued increasing demand of domestic residents for global asset allocation. At the same time, against the backdrop of economic restructuring and upgrading, domestic enterprises began to go abroad and look for strategic investment opportunities all over the world, for the purpose of accessing to technology and brand advantages and complementarity in the market. Correspondingly, international investors also hope to participate in the development of Chinese capital market to share the economic growth and reform dividends. The above driving factors will enable domestic financial institutions to go global with customers, forge international competitiveness, and expand business opportunities in the international market.

### (2) Analysis of the US TAMP industry

Viewed from current market competition landscape, the US TAMP industry is highly concentrated. According to Cerulli Associates and other public information, by the end of the first quarter of 2017, the TOP 5 players in the US TAMP industry dominated the market with a share of approximately 68.7%. AssetMark has a market share of 9.2%, ranking No. 3.

With regard to policy environment, the TAMP with advantages of economies of scale is faced with favorable development opportunities. The new rules of the United States Department of Labor about strengthening fiduciary duties of advisors/brokers engaging in retirement account investment management business was introduced officially in June 2017, which will promote the commission to fee transition in the business model. Moreover, in recent years, the asset management in the US has witnessed a persistent trend of shift towards passive-investment and low-cost products, and the average fee level of the TAMP industry has also come under pressure. However, if the TAMP, particularly relatively mature and large-scale platforms, can capture the aforesaid trends and changes and take prospective countermeasures, it may gain more customer shares and assets.

As for domestic market, the constantly growing high-net-worth customer base and wealth of residents, and the residents' increasing demands for diversified allocation of overseas assets are creating greater market opportunities in the wealth management field.

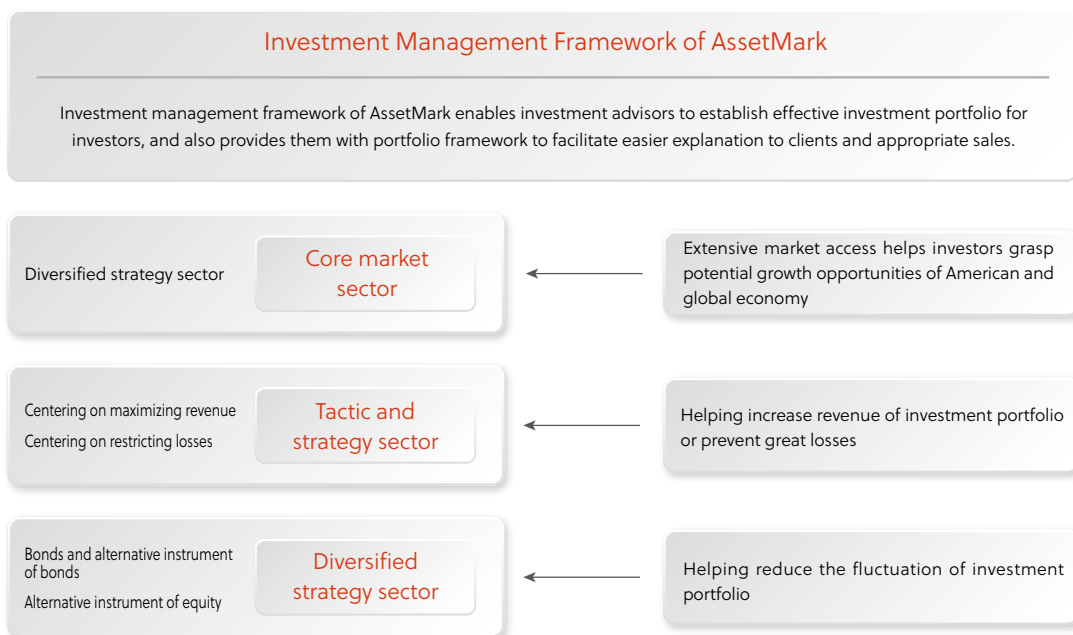
### 3. Actions and Strategies

#### (1) Huatai Financial Holdings (Hong Kong)

- ① Improving and establishing the overseas financial products platform: Taking customers' demands as the core premise to cultivate mainly the sales, product design, investment and trade and other business capabilities. Providing domestic and foreign customers with solutions to investment and financing, trades and risk management through effective cross-border linkage, and forming a diversified financial products platform covering both domestic and overseas markets.
- ② Establishing an overseas wealth management service system: Strengthening the application of Internet financing technologies; fostering customers' amount of funds and loyalty of transaction by exploring the overseas demands of customers of the whole Company; and establishing an overseas wealth management service system by introducing outstanding talents and leveraging the advantages of Hong Kong's position as a global financial center.

#### (2) AssetMark

The Company is taking the initiatives to learn and adapt the technology platform of AssetMark, to improve service procedures and utilize product synergies by AssetMark leveraging expertise and experiences. The Company is committed to enhancing the efficiency of back-office services of investment advisors, making it more attractive to outstanding investment advisors and satisfying customers' all-round demands for wealth management at home and abroad.



## (V) Business Innovation and Its Effects on the Company's Operating Performance and Future Development, and How to Control Relevant Risks

### 1. Main Business Innovation and Its Effects on the Company's Operating Performance and Future Development

As for credit innovation business, during the Reporting Period, the Company actively made innovations in business and management factors and promoted the pilot of business innovation. Credit innovation business was carried out to supplement the Company's existing product lines and business scope; which not only helps improve customer structure and business operation mode, but also strengthens the Company's profitability.

As for exchange traded option business, during the Reporting Period, the Company actively carried out option market making and proprietary business; the daily exposure of position risk was controllable and the monthly exercise of options was stable; there was no risk accident. Exchange-traded option business has enriched quantitative investment strategies and provided diversified investment and risk management tools.

### 2. Risk Control for Business Innovations

During the Reporting Period, the Company constantly facilitated business innovation activities, promoted the innovation of the Company's new business lines, new products, services and management modes, and improved its innovation ability. During innovation business operation, the Company adhered to the principle — "satisfying market needs, pursuing legally viable approach, enhancing risk control and ensuring efficiency", further improved the risk control measures for organizational mechanisms, authorization for decision-making, systems and procedures and other aspects as per the risk characteristics of innovation business, prevented the risks of insufficient awareness of the risks of innovation business, unreasonable business design and imperfect control mechanism, and ensured that all innovation businesses could be carried out constantly and steadily on the premise that the risks are measurable, controllable and bearable.

During the Reporting Period, the Company established a quota system for the exchange-traded commodity option business according to rules of stock exchanges to make front-end control over the positions and transaction amount. During the early stage of business development, the Company strictly controlled investment scale and reduced investment risk via hedging.

During the Reporting Period, the Company made innovations in differentiated management of such business factors as concentration control standards and margin ratio in the margin financing and securities lending business to promote its capability of offering differentiated services to customers of margin financing and securities lending and enhance the market competitiveness of the margin financing and securities lending business. During the course of innovations in business management factors, the Company conducted risk identification and stress tests on factors from the stage of innovation schemes. According to the result of the stress tests, the Company restricted the adjustment range of relevant management factors, strengthened the management and requirements on customer entry, and conducted regular retrospective tests. While strengthening differentiated service capability of businesses, the Company also enhanced its business risk management and control to ensure that innovations in its business management factors proceeded smoothly.

## II. MAJOR BUSINESS OPERATION DURING THE REPORTING PERIOD

### (I) Main Businesses Analysis

#### 1. Analysis of Changes of Items in Financial Statement

Unit and Currency: RMB'000

Items	Reporting Period	Corresponding Period of last year	Change Percentage (%)
Total revenue and other income	12,420,115	11,581,300	7.24
Total expenses	(8,662,543)	(7,888,922)	9.81
Profit before income tax	3,986,863	3,878,012	2.81
Profit for the period attributable to the shareholders of the Company	2,993,250	2,841,253	5.35
Net cash (used in)/generated from operating activities	(2,251,987)	29,589,332	(107.61)
Net cash (used in)/generated from investing activities	2,637,895	1,167,306	125.98
Net cash (used in)/generated from financing activities	(7,033,801)	(24,134,816)	(70.86)
Net (decrease)/increase in cash and cash equivalent	(6,647,893)	6,621,822	(200.39)
Research and development expense	104,811	84,133	24.58

#### 2. Revenue and Other Income

As of June 30, 2017, the revenue and other income of the Group were RMB12,420 million, representing a year-on-year increase of RMB839 million or 7.24%, mainly due to the increase in fee and commission income and net investment gains, in which:

- (1) Fee and commission income recorded a year-on-year growth of 6.16% to RMB5,713 million, accounting for 46.00%, mainly due to incorporation of income from AssetMark and the increase in fee income from asset management business.
- (2) Interest income recorded a year-on-year decline of 1.17% to RMB4,430 million, accounting for 35.67%, mainly due to a year-on-year decline of 29.75% in client margin balance since 2017, resulting in the decrease in interest income from client margin.
- (3) Net investment gains recorded a year-on-year increase of 37.39% to RMB2,177 million, accounting for 17.53%. The Group seized market opportunities to secure substantial positive return on stock investment despite the volatility on the stock market in the first half of 2017.

Composition of revenue and other income of the Group during the Reporting Period is as follows:

Items	Unit and Currency: RMB'000					
	Jan 1–Jun 30, 2017		Jan 1–Jun 30, 2016		Increase/Decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission income	5,712,822	46.00%	5,381,541	46.47%	331,281	6.16%
Interest income	4,429,961	35.67%	4,482,460	38.70%	(52,499)	(1.17%)
Net investment gains	2,177,187	17.53%	1,584,705	13.68%	592,482	37.39%
Other incomes and gains	100,145	0.81%	132,594	1.14%	(32,449)	(24.47%)
Total revenue and other income	12,420,115	100.00%	11,581,300	100.00%	838,815	7.24%

### 3. Total Expenses

As of June 30, 2017, the Group's total expenses were RMB8,663 million, representing a year-on-year growth of 9.81%, mainly due to the increase in fee and commission expenses and staff costs caused by the increasing revenue and other income, in which:

- (1) Fee and commission expenses amounted to RMB1,812 million, representing a year-on-year growth of 29.07%, mainly due to incorporation of fee expenses on asset management business of AssetMark;
- (2) Interest expenses were RMB2,708 million, representing a year-on-year decline of 7.72%, mainly due to the decrease in financing cost;
- (3) Staff costs were RMB2,854 million, representing a year-on-year growth of 20.52%, mainly due to the increase in the Company's operating income, resulting in a slight growth in corresponding provision for staff performance bonus.
- (4) Other expenses mainly included depreciation and amortization expenses, tax and surcharges, as well as asset impairment losses (reversal)/provision and other operating expenses, among which tax and surcharges during the Reporting Period decreased by 80.34% on a year-on-year basis, mainly under the influence of the tax policy of "collection of value-added tax in lieu of business tax"; other operating expenses were RMB936 million, representing a year-on-year growth of 42.46%, mainly due to incorporation of other operating expenses of AssetMark.

Unit and Currency: RMB'000

Items	Jan 1–Jun 30, 2017		Jan 1–Jun 30, 2016		Increase/Decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission expenses	(1,811,768)	20.91%	(1,403,748)	17.79%	(408,020)	29.07%
Interest expenses	(2,708,184)	31.26%	(2,934,619)	37.20%	226,435	(7.72%)
Staff costs	(2,853,532)	32.94%	(2,367,637)	30.01%	(485,895)	20.52%
Depreciation and amortization expenses	(279,944)	3.23%	(187,681)	2.38%	(92,263)	49.16%
Tax and surcharges	(67,567)	0.78%	(343,744)	4.36%	276,177	(80.34%)
Other operating expenses	(935,603)	10.80%	(656,758)	8.33%	(278,845)	42.46%
Asset impairment losses	(5,945)	0.07%	5,265	(0.07%)	(11,210)	(212.92%)
Total expenses	(8,662,543)	100.00%	(7,888,922)	100.00%	(773,621)	9.81%

#### 4. Analysis of Revenue and Other Income and Expenses

##### (1) Analysis of Segment Revenue and Other Income

Unit and Currency: RMB'000

Business segments	Amount of segment revenue and other income in the current period	Total percentage of revenue and other income in the current period (%)	Amount of segment revenue and other income in the corresponding period of last year	Total percentage of revenue and other income in the corresponding period of last year (%)	Year-on-year increase or decrease of total percentage of revenue and other income compared with that in the corresponding period of last year
Brokerage and wealth management business	6,680,247	53.79	8,052,894	69.53	Down by 15.74 percentage points
Investment banking business	756,209	6.09	1,026,190	8.86	Down by 2.77 percentage points
Asset management business	1,282,399	10.33	1,425,804	12.31	Down by 2.77 percentage points
Investment and trading business	1,484,604	11.95	839,190	7.25	Up by 4.70 percentage points
Overseas business and others	2,255,176	18.16	245,725	2.12	Up by 16.04 percentage points

During the Reporting Period, the consolidated revenue and other income of the Company were RMB12,420,115,000, representing a year-on-year growth of 7.24%. Among the main businesses, overseas business and others and investment and trading business increased by RMB2,009,451,000 and RMB645,414,000 on a year-on-year basis, respectively, while brokerage and wealth management business, investment banking business and asset management business decreased by RMB1,372,647,000, RMB269,981,000 and RMB143,405,000 on a year-on-year basis, respectively.

As for the income structure, although the Company secured the first position in the trading market of stocks and funds and actively developed securities-backed lending, margin financing and securities lending and other capital intermediary businesses under the impact of decreasing trading volume of stocks and funds and client margin, and general decline in commission rate and fee rate of capital intermediary business, the percentage of revenue from brokerage and wealth management business to total revenue and other income dropped by 15.74 percentage points compared with the same period of 2016. However, with the incorporation of AssetMark's revenue, the percentage of revenue from overseas business and others to total revenue and other income increased by 16.04 percentage points compared with the same period of 2016; in addition, despite great uncertainty in the market investment environment, the Company seized the market investment opportunity to raise the percentage of revenue from investment and trading business by 4.70 percentage points.

## (2) Analysis of Segment Expenses

Unit and Currency: RMB'000

Business segments	Segment expenses in the current period	Total percentage of expenses in the current period (%)	Segment expenses in the corresponding period of last year	Total percentage of expenses in the corresponding period of last year (%)	Year-on-year increase or decrease of total percentage of expenses compared with that in the corresponding period of last year
Brokerage and wealth management business	(4,119,277)	47.55	(4,869,560)	61.73	Down by 14.18 percentage points
Investment banking business	(504,184)	5.82	(597,041)	7.57	Down by 1.75 percentage points
Asset management business	(576,640)	6.66	(559,001)	7.09	Down by 0.43 percentage point
Investment and trading business	(650,448)	7.51	(418,148)	5.30	Up by 2.21 percentage points
Overseas business and others	(2,850,275)	32.90	(1,453,535)	18.43	Up by 14.47 percentage points

During the Reporting Period, the consolidated expenses of the Company amounted to RMB8,662,543,000, representing a year-on-year growth of 9.81%. Among main businesses, overseas business and others, investment and trading business, and asset management business increased by RMB1,396,740,000, RMB232,300,000 and RMB17,639,000 on a year-on-year basis, respectively, while brokerage and wealth management business and investment banking business decreased by RMB750,283,000 and RMB92,857,000 on a year-on-year basis, respectively.

According to percentage of expenses on each business segment to total expenses of the Company, the percentage of the Company's expenses on brokerage and wealth management business, investment banking business and asset management business decreased by 14.18 percentage points, 1.75 percentage points and 0.43 percentage point respectively as compared with the corresponding period of 2016; in particular, as revenue from brokerage and wealth management business and investment banking business decreased slightly on a year-on-year basis, and the corresponding expenses also declined, so the percentage of segment expenses decreased; expenses on asset management business increased slightly, but the increase percentage was lower than that of total expenses, so the percentage of expenses decreased. The percentage of expenses on investment and trading business and overseas business and others increased by 2.21 percentage points and 14.47 percentage points on a year-on-year basis, respectively, mainly due to the modest increase in revenue from the aforesaid two segments as compared with that of the corresponding period of 2016, resulting in the increase in the corresponding expenses and the percentage of segment expenses.

## 5. Research and Development Expenses

Unit and Currency: RMB'0,000

Research and development expenses for current period	2,816.82
Capitalized research and development expenses for current period	7,664.24
Total research and development expenses	10,481.06
Percentage of total research and development expenses over net assets (%)	0.12
Percentage of total research and development expenses over operating income (%)	1.29
Number of research and development staff of the Company	638
Percentage of the number of research and development staff over total number of the staff of the Company (%)	9.07
Percentage of capitalized research and development expenses (%)	73.12

Fully aware of IT's important role in strategic development, the Company stuck to giving priority to research and development and started the building of self-developed IT system early. It took the lead in launching online transaction on a large scale in the industry and deployed mobile Internet platform with foresight following the guideline of enhancing its IT level by innovation. During the Reporting Period, the Company injected RMB104,810,600 in research and development. The Company successively launched the smart financial terminal MATIC and the market information platform INSIGHT to practice its product strategy focusing on customer experience while further improving the account management function of "ZhangLe Fortune Path" (漲樂財富通).

## 6. Cash Flow

Unit and Currency: RMB'000

Items	Amount in the current period	Amount in the corresponding period of last year	Amount increased or decreased	Increase/decrease percentage (%)
Net cash generated from operating activities	(2,251,987)	29,589,332	(31,841,319)	(107.61)
Net cash generated from investing activities	2,637,895	1,167,306	1,470,589	125.98
Net cash (used in)/generated from financing activities	(7,033,801)	(24,134,816)	17,101,015	(70.86)
Net (decrease)/increase in cash and cash equivalent	(6,647,893)	6,621,822	(13,269,715)	(200.39)

During the Reporting Period, the net decrease of cash and cash equivalent of the Group was RMB6,647,893,000, in which:

- (1) Net cash generated from operating activities amounted to RMB-2,251,987,000, representing a decrease of 107.61% as compared with the corresponding period of 2016. The decrease was mainly due to the increase in the amount of financial instruments at fair value through profit or loss.
- (2) Net cash generated from investing activities amounted to RMB2,637,895,000, representing an increase of 125.98% as compared with the corresponding period of 2016. The increase was mainly due to the increase in the net gains from purchase and disposal of available-for-sale financial assets.



- (3) Net cash generated from financing activities was RMB-7,033,801,000, representing a decrease of 70.86% as compared with the corresponding period of 2016. The decrease was mainly due to the increase in the amount of debt instruments issued this period.

## 7. Bankruptcy and Restructuring, Merger or Division, Major Asset Disposal, Acquisition, Replacement and Stripping, and Reorganization and Other Conditions of the Company

During the Reporting Period, the Company was not involved in any bankruptcy and restructuring, merger or division, major asset disposal, acquisition, replacement and stripping, and reorganization and other conditions of the Company.

## 8. Details of Substantial Change of Profit Composition or Resource of the Company

Unit and Currency: RMB'000

Items	Amount in the current period	Amount in the corresponding period of last year	Year-on-year change (%)	Major influencing factors
Total revenue and other income	12,420,115	11,581,300	7.24	Increase in fee and commission income and net investment gains
Total expenses	(8,662,543)	(7,888,922)	9.81	Increase in corresponding fee and commission expenses and staff costs as a result of the increase in total revenue and other income
Operating profit	3,757,572	3,692,378	1.77	Increase in total revenue and other income
Profit before income tax	3,986,863	3,878,012	2.81	Increase in total revenue and other income
Profit for the period	3,054,567	2,943,553	3.77	Increase in total revenue and other income
In which: profit for the period attributable to shareholders of the Company	2,993,250	2,841,253	5.35	Increase in total revenue and other income

Unit and Currency: RMB'000

Items	Balance at the end of the period	Balance at the beginning of the period	Year-on-year change (%)	Major influencing factors
Total assets	368,830,012	401,450,397	(8.13)	Decrease in cash held on behalf of brokerage clients, and cash and bank balance
Total liabilities	283,228,283	315,790,200	(10.31)	Decrease in interest-bearing liability and client capital outflow
Total shareholders' equity	85,601,729	85,660,197	(0.07)	Operating results and profit distribution for the first half of 2017

During the Reporting Period, main businesses of the Company were still brokerage and wealth management business, investment banking business, asset management business, investment and trading business, and overseas business, without substantial change of profit composition or sources of profit of the Company.

## (II) Analysis of Principal Components of Consolidated Statement of Financial Position

### 1. Overview of Consolidated Statement of Financial Position

Unit and Currency: RMB'000

Items	As of June 30, 2017		As of December 31, 2016		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
<b>Non-current assets</b>						
Property and equipment	3,791,528	1.03%	3,567,451	0.89%	224,077	6.28%
Investment properties	876,882	0.24%	1,130,268	0.28%	(253,386)	(22.42%)
Goodwill	2,043,428	0.55%	2,091,252	0.52%	(47,824)	(2.29%)
Other intangible assets	5,309,168	1.44%	5,509,024	1.37%	(199,856)	(3.63%)
Interest in associates	3,275,005	0.89%	3,075,521	0.77%	199,484	6.49%
Interest in joint ventures	305,611	0.08%	301,756	0.08%	3,855	1.28%
Held-to-maturity investments	5,000	—	5,000	—	—	—
Available-for-sale financial assets	31,270,065	8.48%	31,218,115	7.78%	51,950	0.17%
Financial assets held under resale agreements	8,299,758	2.25%	8,930,396	2.22%	(630,638)	(7.06%)
Financial assets at fair value through profit or loss	1,493,333	0.40%	1,294,444	0.32%	198,889	15.36%
Refundable deposits	8,148,886	2.21%	8,158,628	2.03%	(9,742)	(0.12%)
Deferred tax assets	530,114	0.14%	556,094	0.14%	(25,980)	(4.67%)
Other non-current assets	102,149	0.03%	79,070	0.02%	23,079	29.19%
<b>Total non-current assets</b>	<b>65,450,927</b>	<b>17.75%</b>	<b>65,917,019</b>	<b>16.42%</b>	<b>(466,092)</b>	<b>(0.71%)</b>
<b>Current assets</b>						
Accounts receivable	962,491	0.26%	991,413	0.25%	(28,922)	(2.92%)
Other receivables and prepayments	5,995,932	1.63%	5,070,483	1.26%	925,449	18.25%
Margin accounts receivable	51,846,886	14.06%	56,605,104	14.10%	(4,758,218)	(8.41%)
Available-for-sale financial assets	12,216,210	3.31%	12,518,447	3.12%	(302,237)	(2.41%)
Financial assets held under resale agreements	38,853,090	10.53%	37,400,786	9.32%	1,452,304	3.88%
Financial assets at fair value through profit or loss	87,867,922	23.82%	81,812,787	20.38%	6,055,135	7.40%
Derivative financial assets	186,380	0.05%	106,591	0.03%	79,789	74.86%
Clearing settlement funds	1,202,251	0.33%	1,228,801	0.31%	(26,550)	(2.16%)
Cash held on behalf of brokerage clients	73,692,576	19.98%	94,568,934	23.56%	(20,876,358)	(22.08%)
Cash and bank balances	30,555,347	8.28%	45,230,032	11.27%	(14,674,685)	(32.44%)
<b>Total current assets</b>	<b>303,379,085</b>	<b>82.25%</b>	<b>335,533,378</b>	<b>83.58%</b>	<b>(32,154,293)</b>	<b>(9.58%)</b>
<b>Total assets</b>	<b>368,830,012</b>	<b>100.00%</b>	<b>401,450,397</b>	<b>100.00%</b>	<b>(32,620,385)</b>	<b>(8.13%)</b>

## 1. Overview of Consolidated Statement of Financial Position (continued)

Unit and Currency: RMB'000

Items	As of June 30, 2017		As of December 31, 2016		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
<b>Current liabilities</b>						
Short-term bank loans	457,000	0.16%	460,255	0.15%	(3,255)	(0.71%)
Short-term debt instruments issued	6,922,790	2.44%	1,621,000	0.51%	5,301,790	327.07%
Placements from financial Institutions	5,500,000	1.94%	6,650,000	2.11%	(1,150,000)	(17.29%)
Accounts payable to brokerage clients	77,639,580	27.41%	92,728,837	29.36%	(15,089,257)	(16.27%)
Employee benefits payable	1,537,232	0.54%	2,517,090	0.80%	(979,858)	(38.93%)
Other payables and accruals	70,423,856	24.86%	79,671,695	25.23%	(9,247,839)	(11.61%)
Current tax liabilities	828,317	0.29%	495,647	0.16%	332,670	67.12%
Financial assets sold under repurchase agreements	21,424,768	7.56%	19,463,375	6.16%	1,961,393	10.08%
Financial liabilities at fair value through profit or loss	9,119,392	3.22%	2,756,267	0.87%	6,363,125	230.86%
Derivative financial liabilities	1,116,061	0.39%	864,011	0.27%	252,050	29.17%
Long-term bonds due within one year	12,094,874	4.27%	25,900,000	8.20%	(13,805,126)	(53.30%)
<b>Total current liabilities</b>	<b>207,063,870</b>	<b>73.11%</b>	<b>233,128,177</b>	<b>73.82%</b>	<b>(26,064,307)</b>	<b>(11.18%)</b>
<b>Net current assets</b>	<b>96,315,215</b>		<b>102,405,201</b>		<b>(6,089,986)</b>	<b>(5.95%)</b>
<b>Total assets less current liabilities</b>	<b>161,766,142</b>		<b>168,322,220</b>		<b>(6,556,078)</b>	<b>(3.89%)</b>
<b>Non-current liabilities</b>						
Long-term bonds	53,694,025	18.96%	49,947,816	15.82%	3,746,209	7.50%
Long-term employee benefits payable	5,138,618	1.81%	4,988,352	1.58%	150,266	3.01%
Deferred tax liabilities	2,131,254	0.75%	2,562,144	0.81%	(430,890)	(16.82%)
Financial assets sold under repurchase agreements	1,643,610	0.58%	—	—	1,643,610	—
Financial liabilities at fair value through profit or loss	13,556,906	4.79%	25,163,711	7.97%	(11,606,805)	(46.13%)
<b>Total non-current liabilities</b>	<b>76,164,413</b>	<b>26.89%</b>	<b>82,662,023</b>	<b>26.18%</b>	<b>(6,497,610)</b>	<b>(7.86%)</b>
<b>Net assets</b>	<b>85,601,729</b>		<b>85,660,197</b>		<b>(58,468)</b>	<b>(0.07%)</b>
<b>Equity</b>						
Share capital	7,162,769	8.37%	7,162,769	8.36%	—	—
Reserves	61,226,039	71.52%	60,999,752	71.21%	226,287	0.37%
Retained profits	15,606,802	18.23%	16,194,936	18.91%	(588,134)	(3.63%)
Total equity attributable to shareholders of the Company	83,995,610	98.12%	84,357,457	98.48%	(361,847)	(0.43%)
Non-controlling interests	1,606,119	1.88%	1,302,740	1.52%	303,379	23.29%
<b>Total equity</b>	<b>85,601,729</b>	<b>100.00%</b>	<b>85,660,197</b>	<b>100.00%</b>	<b>(58,468)</b>	<b>(0.07%)</b>

As of June 30, 2017, the total non-current assets of the Group amounted to RMB65,451 million, representing a decrease of RMB466 million as compared with the beginning of the year. The decrease was mainly due to the decrease of RMB631 million in the financial assets held under resale agreements.

As of June 30, 2017, the total non-current liabilities of the Group amounted to RMB76,164 million, representing a decrease of RMB6,498 million as compared with the beginning of the year. The decrease was mainly due to the decrease of RMB11,607 million in the financial liabilities at fair value through profit or loss and increase of RMB3,746 million in long-term bonds.

As of June 30, 2017, the total current assets of the Group amounted to RMB303,379 million, representing a decrease of RMB32,154 million as compared with the beginning of the year. The decrease was mainly due to the decrease of RMB20,876 million in the cash held on behalf of brokerage clients, decrease of RMB14,675 million in the cash and bank balances, decrease of RMB4,758 million in margin accounts receivable, and increase of RMB6,055 million in the financial assets at fair value through profit or loss.

As of June 30, 2017, the total current liabilities of the Group amounted to RMB207,064 million, representing a decrease of RMB26,064 million as compared with the beginning of the year. The decrease was mainly due to the decrease of RMB15,089 million in the accounts payable to brokerage clients, decrease of RMB13,805 million in the long-term bonds due within one year, decrease of RMB9,248 million in other amounts payable and accrued expenses, increase of RMB6,363 million in the financial liabilities at fair value through profit or loss and increase of RMB5,302 million in the short-term debt instruments issued.

## 2. The limitation condition of the prime assets as of the end of the Reporting Period

As of the end of the Reporting Period, the Company's main limited assets include available-for-sale financial assets, financial assets at fair value through profit or loss, margin accounts receivable, cash and bank balances and financial assets held under resale agreements with an aggregate amount of RMB47,823,097 thousand. Except for the above assets, no prime assets of the Company were seized, detained, frozen, mortgaged or pledged, and they were not under the circumstance that they could, or could not be realized or could not be used to pay the debts under a certain condition. There was no circumstance and no arrangement in which the prime assets were occupied, used or benefited, and the disposal of them was not limited.

## 3. Asset structure and asset quality

As of June 30, 2017, the shareholders' equity of the Group amounted to RMB85,602 million, representing a decrease of RMB58 million as compared with the beginning of the year.

The Company continued to optimize its asset structure, maintaining and improving the quality and liquidity of assets. As of June 30, 2017, the total assets of the Group amounted to RMB368,830 million, decreasing by RMB32,620 million as compared with the beginning of the year, a fall of 8.13%. Specifically, the cash and bank balances and the clearing settlement funds accounted for 8.61% of the total assets; the financial assets at fair value through profit or loss, the available-for-sale financial assets, the margin loans receivable, other receivables and prepayments accounted for 37.91% of the total assets; the margin loans receivable accounted for 14.06% of the total assets, the cash held on behalf of the brokerage clients accounted for 19.98% of the total assets; the financial assets held under resale agreements accounted for 12.78% of the total assets; the property and equipment accounted for 1.03% of the total assets. Most of the assets show strong ability to be cashed. The Group's assets show strong liquidity, and the asset structure is rational. As of June 30, 2017, the proportion of current assets to current liabilities was 146.51%, which was 143.93% higher than that at the beginning of the year.

As of June 30, 2017, the Company obtained funds through loans, debt financing instruments, and such means of financing as interbank lending and repurchase. As of the end of the Reporting Period, the total loans and debt financing of the Group amounted to RMB78,668,689 thousand. The details are as follows:

Unit and Currency: RMB'000

Loans and debt financing programs	June 30, 2017
Placements from financial institutions	5,500,000
Short-term bank loans	457,000
Short-term debt instruments issued	6,922,790
Bonds payable	65,788,899
<b>Total</b>	<b>78,668,689</b>

Loans and debt-financing with a financing maturity of more than one year were RMB65,789 million, accounting for 83.63%. Among them, programs with a financing maturity of one to two years were worth RMB11,500 million, two to five years were RMB26,097 million, and more than five years were RMB28,192 million. Loans and debt-financing with a financing maturity of less than one year were RMB12,880 million, accounting for 16.37%.

As of June 30, 2017, the Group's loans with fixed interest rate and debt financing were RMB78,354 million, of which the balance of the short-term loans was RMB457 million; the balance of funds raised from China Securities Finance Co., Ltd. was RMB5,500 million; the balance of income receipts with fixed interest rate was RMB7,508 million; the balance of corporate bonds was RMB48,587 million; the balance of subordinated debts was RMB13,600 million; and the balance of foreign debts was RMB2,702 million.

As of June 30, 2017, the cash and cash equivalents of the Group amounted to RMB24,899 million, of which RMB cash and cash equivalents accounted for 76.79%.

As of June 30, 2017, the short-term bank loans of the Group were made with certificate of deposit as a collateral security and placements from financial institutions were made with stocks and securities investment as a collateral security. Except for what has been disclosed herein, the Group did not pledge any other assets.

#### 4. Analysis of the Profitability of the Company during the Reporting Period

During the Reporting Period, the revenue and profits of the Company maintained steady growth as compared with the same period of last year; the revenue and other income totalled RMB12,420 million, representing an increase of 7.24% year on year; and the profit for the period attributable to shareholders of the Company was RMB2,993 million, representing an increase of 5.35% year on year, which were all in the top rank of the industry.

#### 5. Explanations on the change in the scope of consolidation of the statements

##### (1) Change in the scope of consolidation of the statement as a result of the establishment of new subsidiaries

On June 30, 2017, the newly established subsidiaries during the Reporting Period were included in the consolidation scope of the Group. The management of the Company believed that the Company actually controls the newly established subsidiaries, so cost method for long-term equity investment is used for accounting. One new subsidiary of the Group was included in the consolidated statements during the Reporting Period.

## (2) Changes of the consolidation scope as a result of new structured entities incorporated into the consolidation scope

As to the manager or investment advisor and investor of structured entities at the same time, the Group assessed the return that the Group was entitled to for the shares held, and combined the influential structured entities whose managers' remuneration made the Group face variable return (mainly refers to asset management plan). The structured entities of the Group, which were included in the consolidated statement during the Reporting Period, increased by 2 compared with that of 2016.

## (3) Changes of the consolidation scope as a result of capital reduction

On February 28, 2017, the Group's subsidiary Huatai Zijin Investment reduced its subscribed capital of RMB200 million and paid-in capital of RMB100 million in the former subsidiary Nanjing Huatai Big Health No. 1 Equity Investment Partnership (Limited Partnership). After this capital reduction, Huatai Zijin Investment held 19.55% shares in the former subsidiary Nanjing Huatai Big Health No. 1 Equity Investment Partnership (Limited Partnership) and the shareholding of the Group further decreased to 19.15% after Nanjing Huatai Big Health No. 1 Equity Investment Partnership (Limited Partnership) introduced new investors, which led to the losing of the Group's control over it. As a result, the equity method for long-term equity investment was used for accounting.

## 6. The Company's income tax policy during the Reporting Period

During the Reporting Period, the corporate income tax was subject to the Corporate Income Tax Law of the PRC and the Enforcement Regulations of Corporate Income Tax Law of the PRC. The calculation and payment methods of the income tax shall be subject to Announcement of the State Administration of Taxation on Issuing the Measures for the Consolidated Collection of Corporate Income Tax on Trans-regional Business Operations (GJSWZJGG [2012] No. 57). The income tax rate applicable to the Company and its domestic subsidiaries (except Tibet Tai Ying Venture Capital Management Co., Ltd. (西藏泰盈創業投資管理有限責任公司)) is 25%. Tibet Tai Ying Venture Capital Management Co., Ltd. is a new unit in the period, whose income tax rate is 9%. The Company enjoys the preferential policy of calculating and deducting research and development expenses, and the profit tax rate of the Hong Kong subsidiary of the Company is 16.5%. Other overseas subsidiaries of the Company are subject to income taxes at tax rates applicable in their jurisdictions.

## 7. Analysis of the financing channels and financing capacity of the Company

Financing channels of the Company	In terms of the financing methods, the Company's financing channels included equity financing and debt financing. In terms of financing maturity, the Company's short-term financing channels included credit lending via interbank market, bond repurchase via interbank market and exchange market, issuing short-term corporate bonds, short-term subordinated debt and income credential, carrying out income rights financing in relation to margin financing and securities lending, and asset securitization, etc.; the Company's medium and long-term financing channels included issuing non-public corporate bonds, long-term subordinated debt and equity refinancing, etc. After years of effective efforts, the Company explored and established a short, medium and long-term financing platform with new-type financing tools and multiple financing channels, which played a key role in the rapid development process of the Company's business.
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<p>Liquidity management policy and measures of the Company</p>	<p>The Company always attaches importance to liquidity management. As for funds management, it adhered to the principle — “full amount concentrated, allocated in a unified way, valued by classification and monitored timely”. In terms of management and development strategies, it paid attention to matching business scale with liabilities. Based on reasonable asset allocation and diversified debt financing, the Company ensured reasonable matching of duration, scale of assets and liabilities and proper liquidity.</p> <p>The Company followed the general comprehensive, prudential, predictive principles for liquidity risk management according to the centralized management and hierarchical prevention and control management model, established a liquidity risk management system based on comprehensive risk management framework, as well as a sound liquidity risk management system appropriate to the Company’s strategy, implemented liquidity risk management policy with the preference for “steadiness and safety”. The Company ensured no liquidity risk that would cause significant impact on sustainable operation, so as to fully guarantee the steady and safe development of the business of the Company.</p> <p>To ensure liquidity safety, the Company’s main measures include: 1) constantly improving the capital planning system, strengthening the management of capital position and cash flow monitoring, and ensuring the security of the daytime liquidity; 2) with due prudence, setting up a cash flow analysis framework and monitoring the framework every day through the information technology system to improve the frequency and accuracy of liquidity risk monitoring; 3) analyzing the Company’s cash flow and financing gap under the stress situation, evaluating the Company’s ability to bear liquidity risk, analyzing the stress test results, and continuously raising pressure resistance ability of the Company’s liquidity risk; 4) according to the risk appetite, establishing right- sized liquidity reserves and reserving sizeable assets with high liquidity to prevent the liquidity risk of the Company; 5) improving the liquidity risk reporting system to ensure that the management can in a timely manner understand the status of the liquidity risk and its management.</p>
<p>Analysis of financing capability and financing strategy of the Company</p>	<p>The Company has regulated management, good prestige, strong capital strength, profitability and debt payment ability, good cooperation relationships with commercial banks, sufficient bank credit, steady growth of credit line, and strong short-term and medium- and long- term financing abilities. As listed securities dealer, the Company can also meet the demand on funding of the long-term development through equity refinancing.</p> <p>For both liquidity and profitability, the Company held a certain amount of fixed-income products. Interest rate changes will bring direct impact to the Company’s interest income in cash, the market price of the bonds held by the debt investment and investment income, etc. Margin financing and securities lending and other capital intermediary business, corporate debt financing and other businesses which directly related to interest rates may impact corresponding interest income and financing interest expenses and so on. At the same time, the Company’s stock investment was also indirectly affected by interest rate changes. In addition, as the Company has registered overseas subsidiaries whose capital is contributed in foreign currency, the Company holds foreign currency funds and assets, and the change of exchange rates will have impact on the Company’s financial situation.</p> <p>To maintain the liquidity of the Company’s assets and rate of return, the Company’s own capital is uniformly managed by Capital Operation Department in accordance with a sound management system and corresponding business processes. The Company optimizes the distribution of assets and liabilities structure by timely adjusting all kinds of asset structure, strengthens the research on the interest rate and exchange rate market, and uses the appropriate interest rate, exchange rate and other derivative financial tools to avoid risks and reduce the influence of these factors.</p>
<p>Contingencies and their impact on the financial position of the Company</p>	<p>At the end of Reporting Period, the Company’s contingencies mainly included providing counter-guarantee to the Bank of China Limited for the USD400 million of foreign debt issued by Hong Kong subsidiary of the Company, and contingent liabilities resulting from pending litigation and arbitration, and the above matters had less effect on the Company’s financial situation.</p>



### (III) Analysis of Investments

#### 1. Overall analysis of external equity investments

As of the end of the Reporting Period, long-term equity investments of the Group amounted to RMB3.581 billion, representing an increase of RMB204 million, or 6.04%, as compared to RMB3.377 billion at the beginning of the period.

Unit and Currency: RMB'0,000

Investee	Balance at the beginning of the year	Increase and decrease in the current period	Balance at the end of the period
Huatai China Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	30,175.63	385.46	30,561.09
China Southern Asset Management Co., Ltd.	177,993.44	3,224.93	181,218.37
Huatai-PineBridge Fund Management Co., Ltd.	36,954.77	789.04	37,743.81
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	67,166.68	962.84	68,129.52
Jiangsu SME Financial Product Exchange Co., Ltd.	1,875.71	—	1,875.71
Jiangsu Industry and Information Industry Investment Fund (Limited partnership)	19,935.25	26.26	19,961.51
Beijing Huatai New Industries Growth Investment Fund (Limited Partnership)	1,987.43	(15.51)	1,971.92
Suzhou Equity Trading Center Co., Ltd.	945.80	—	945.80
Nanjing Huatai Big Health No. 1 Equity Investment Partnership (Limited Partnership)	—	13,810.29	13,810.29
Others	693.03	1,150.59	1,843.62
Total	337,727.74	20,333.90	358,061.64

#### (1) Significant equity investment

Unit and Currency: RMB'0,000

Name of invested unit	Main business	Share-holding ratio	Investment amount at the beginning of the period	Amount of contribution/increased contribution	Book value at the beginning of the period	Increase and decrease in the current period	Book value at the end of the period	Profit and loss during the Reporting Period
Nanjing Huatai Big Health No. 1 Equity Investment Partnership (Limited Partnership)	Equity Investment	19.15%	—	13,889.12	—	(78.83)	13,810.29	(78.83)

Note: The profit and loss during the Reporting Period in this form refers to: the influence of this investment on consolidating the net profits assigned to the parent company.

**(2) Financial assets measured at fair value**

Unit and Currency: RMB

Item	Balance at the beginning of the period	Balance at the end of the period	Investment income during the Reporting Period	The changed amount of fair value during the Reporting Period
Financial assets at fair value through profit or loss	83,107,232,026.80	89,361,255,146.09	863,570,153.06	259,813,796.56
Financial liabilities at fair value through profit or loss	27,919,978,030.69	22,676,297,810.47	(542,299,004.54)	(114,091,068.98)
Held-to-maturity financial assets	5,000,000.00	5,000,000.00	107,237.10	—
Available-for-sale financial assets	43,736,561,642.99	43,486,274,851.98	1,395,219,796.60	533,280,214.21
Derivative financial instruments	(757,418,940.03)	(929,680,299.84)	556,295,451.94	(241,534,553.80)
Total	154,011,352,760.45	154,599,147,508.70	2,272,893,634.16	437,468,387.99

**2. Information about the use of raised funds****(1) Overview of the use of raised funds****① Overview of the use of funds raised from the issuance of A shares**

Under the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No. 138) issued by the CSRC, the Company issued 784,561,275 ordinary shares to the public on February 9, 2010, each stock of which was RMB1.00 at an offering price of RMB20.00, and the total amount of funds raised was RMB15,691,225,500.00. The raised funds after deducting the underwriting fee and sponsoring fee of RMB130 million were RMB15,561,225,500.00, which were provided in place on February 12, 2010, and verified by Jiangsu Talent Certified Public Accountants with the capital verification report of "Tian Heng Yan Zi [2010] No. 009". As of December 31, 2012, all the funds raised from the IPO were used up and an accumulative of RMB15.681 billion raised funds (including interest of raised funds of RMB119,808,200) were used. All of accounts designated for the use of raised funds had been cancelled with settlement of interests.

**② Overview of the use of funds raised from the issuance of H shares**

Approved by the CSRC, the Company completed the issuance of H Shares in 2015. Proceeds from the issuance of H Shares were verified by KPMG Huazhen LLP, and KPMG capital verification report (YZ No. 1501031) was issued.

According to the Capital Verification Report issued by KPMG Huazhen LLP, the net funds raised from the issuance of H Shares in 2015 were RMB30,587,689,604.94 (excluding related listing fees), and raised funds after deducting the underwriting and issuing fees were RMB30,015,054,696.76. As of the end of the Reporting Period, interest income and exchange gains/ losses of the Company on the basis of raised funds from the issuance of H Shares were RMB81,391,515.95. As of the end of the Reporting Period, RMB29,969,628,809.62 (including interest of raised funds and exchange gains/losses) of funds raised was used in total.

As of the date of this report, the Company, with respect to its IPO on the Hong Kong Stock Exchange and the issuance of new shares by an over-allotment option, has used raised funds of: RMB18,352,613,762.96 for capital intermediary business, such as developing securities margin trading, RMB3,058,768,960.49 for expanding investment and transaction businesses, RMB3,058,768,960.49 for capital increase in Huatai Zijin Investment and Huatai Asset Management, RMB3,058,768,960.49 for expanding overseas business, and RMB2,440,708,165.19 for daily operation and other general enterprise purposes. Apart from the above usages, surplus of the Company's proceeds, about RMB699,452,311.27 (including interest of raised funds and exchange gains/losses), were not used, which were put into the bank account of the Company. As of June 30, 2017, planned usage of the Company's funds raised from H share issuance was consistent with that disclosed in the prospectus with no change. The Company will continue to put funds raised from H Share issuance into operation according to the development strategy, market conditions and usage plan of funds raised from H Share issuance.

Unit and Currency: RMB'0,000

Raising year	Raising method	Total amount of raised funds	Total amount of raised funds used in the Reporting Period	Total amount of raised funds used accumulatively	Total amount of raised funds yet to be used	Usage and whereabouts of raised funds unused
2015	Initial public offering (H Shares)	3,058,768.96	77.89	2,996,962.88	69,945.23	Used as working capital and for other purposes
2010	Initial public offering (A Shares)	1,556,122.55	-	1,568,103.37	-	-
Total		4,614,891.51	77.89	4,565,066.25	69,945.23	
	Notes to the overview of the use of raised funds		-			

Note: For the overview of the use of funds raised from the issuance of A shares, the surplus of RMB119,808,200 of the total amount of raised funds exceeding the initial funds raised was interest income generated from the designated account for the funds raised.

## (2) Changes in raised funds

There were no changes in raised funds of the Company during the Reporting Period.

## (3) Projects not funded by raised funds

During the Reporting Period, the Company did not have projects not funded by raised funds whose total investment was more than 10% of the non-audited net assets of the Company in the previous year.

## (IV) Sales of Significant Assets and Equities

During the Reporting Period, the Company had no sales of significant assets and equities.

## (V) Analysis of Holding Companies and Associated Corporations



Unit and Currency: RMB'0,000

Company name	Percentage of shares held by the Company (%)	Principal business	Registered capital	Total assets	Net assets	Operating income	Total profit	Net profit
Huatai United Securities Co., Ltd.	99.72	Securities underwriting and sponsorship (excluding treasury bonds, debt financing instruments and financial bond underwriting business with non-financial enterprises); financial advisory to securities trading and investment related activities; other businesses approved by CSRC	99,748.00	585,452.64	450,719.81	89,396.65	41,217.67	30,955.38
Huatai Securities (Shanghai) Asset Management Co., Ltd.	100.00	Securities asset management and fund management business of public offering of mutual funds (Business operation subject to approvals according to the law shall be conducted after obtaining such approvals from relevant authorities)	260,000.00	2,767,371.20	496,846.07	110,317.49	79,936.90	59,952.68
Huatai Zijin Investment Co., Ltd.	100.00	Equity investment (for its own funds or clients' funds), debt investment, other fund investment associated with equity investment and debt investment; investment consulting for equity investment and debt investment, investment management and financial consulting service (Business operation subject to approvals according to the law shall be conducted after obtaining such approvals from relevant authorities)	600,000.00	1,918,502.66	650,347.55	20,630.44	5,518.16	4,239.63
Huatai Financial Holdings (Hong Kong) Limited	100.00	Investment banking (equity underwriting, bond underwriting, private placement, financial consulting, merger and acquisition, structured financing and investment), sales and trading (provision of trading and market making services for various securities and futures products including shares, fixed-income products, credits, futures contracts and structured contracts; provision of customized financial products and market access proposals; provision of financing services for securities under agency business); and asset management	HK\$8,800 million	1,481,184.58	722,257.92	72,696.61	796.98	(1,907.22)
Huatai Innovative Investment Co., Ltd.	100.00	Project investment, investment management, asset management, investment consulting, corporate management consulting, financial consulting, hotel management, goods import and export, technology import and export, sale of non-ferrous metals, precious metals and related products, metallic materials, metallic ores, non-metallic ores, construction materials, fuels, chemical products, rubber products, coals, glass, asphalt, agricultural and poultry products, fodder, edible oil, jewellery and handicrafts; purchase of gold products; purchase of silver products	50,000.00	56,368.99	53,875.61	4,999.03	(647.70)	(1,127.15)
Huatai Futures Co., Ltd.	60.00	Commodities futures brokerage, financial futures brokerage, futures investment consultancy and asset management, fund trading (Business operation subject to approvals according to the law shall be conducted after obtaining such approvals from relevant authorities)	160,900.00	1,914,296.71	232,761.72	35,254.37	10,726.62	8,404.43

Company name	Percentage of shares held by the Company (%)	Principal business	Registered capital	Total assets	Net assets	Operating income	Total profit	Net profit
Jiangsu Equity Exchange Co., Ltd.	52.00	Provision of premises, facilities and services for approved listing, registration, trust, trading, bonus and pledge of equity, bonds, assets and related financial products and derivatives of unlisted companies, organization and monitoring of trading market activities, issue of market information, trading of listed products as an agent, and provision of consultation services for market participants (Business operation subject to approvals according to the law shall be conducted after obtaining such approvals from relevant authorities)	20,000.00	24,797.66	24,224.21	1,239.12	143.42	107.57
China Southern Asset Management Co., Ltd.	45.00	Fund-raising, fund trading, asset management and other businesses approved by CSRC	30,000.00	623,692.42	423,135.83	151,806.84	60,081.29	44,804.22
Huatai-PineBridge Fund Management Co., Ltd.	49.00	Fund management, promotion and establishment of funds and other businesses approved by CSRC (Business operation subject to approvals according to the law shall be conducted after obtaining such approvals from relevant authorities)	20,000.00	92,426.81	77,028.18	28,130.99	10,092.97	7,655.85

## (VI) Structured Entities Controlled by the Company

Structured entities consolidated by the Group mainly refer to the asset management schemes where the Group acts as the manager or investment consultant and also as an investor. The Group comprehensively assesses whether the returns of the investments it holds and its remuneration as the manager or investment consultant of the asset management schemes will make the Group exposed to variable returns to a great extent, and judges based on the above assessment whether the Group takes principal responsibility for the asset management schemes. As at June 30, 2017, the Group had consolidated 31 structured entities in total, and the total assets of these consolidated structured entities amounted to RMB76,149,439,576.82. The total amount of the available-for-sale financial assets and financial assets at fair value through profit or loss in the balance sheet, which embodies the equity of the Group in the said consolidated structured entities, was RMB6,687,882,204.30.

## (VII) Potential Risks and Risk Prevention Measures

### 1. Introduction to Risk Management

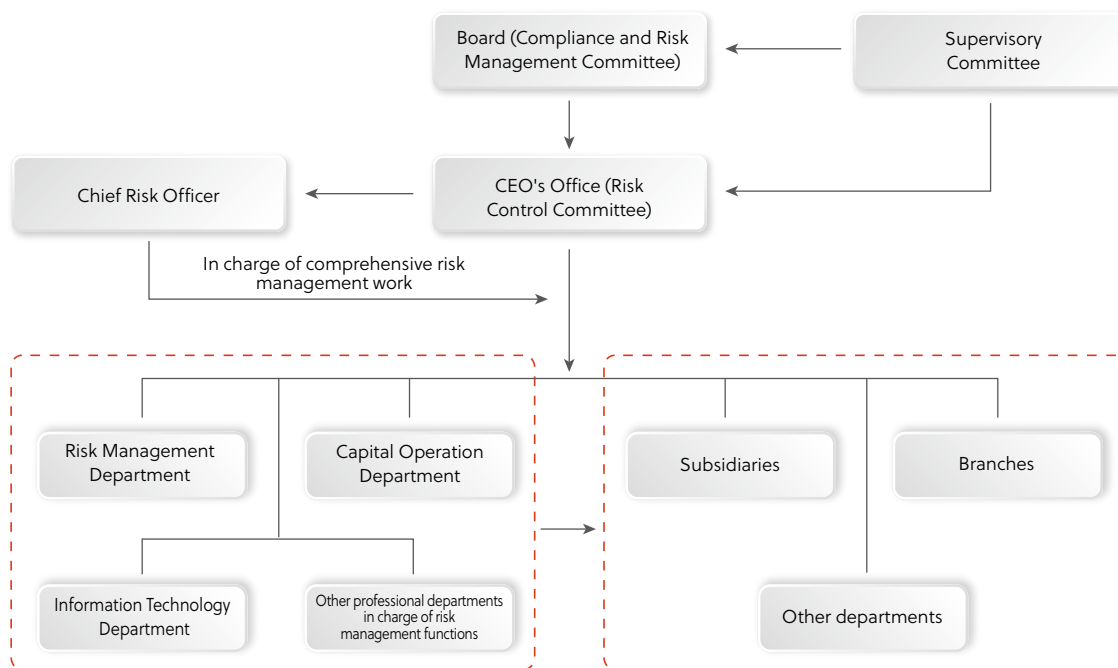
The Company attached great importance to risk management. According to regulatory requirements and the actual situation of business development, the Company established a relatively complete overall risk management system by taking "high engagement, full coverage and deep penetration" as the core idea. The Company has a complete and effective risk management framework with clearly defined responsibilities and staff at all levels performing their duties effectively; the Company worked out a clear risk appetite and tolerance system, which integrated flexibly with development strategies, thereby forming a multi-level risk management system covering the whole Company; in addition, the Company promoted energetically the construction of collectivized risk-management technology system and built centralized, time-based, quantitative and penetrable pillars for risk management technologies, to improve the effect of risk management of the Group and further strengthen the Group's ability of overall risk identification, quantitative evaluation and risk control. The Company gradually brought its subsidiaries into the overall risk management system of the Group, explored the construction of effective risk management patterns for subsidiaries, vigorously deepened the management thinking of centralized and unified professional risk lines, and built a professional risk management system meeting the business development requirements of the Group. The overall risk management system of the Company ran effectively, which substantially guaranteed the continuous and healthy development of various businesses of the Company.

During the Reporting Period, the Company, in accordance with the Norms for Overall Risk Management of Securities Companies, thoroughly rearranged and formulated the working plan for implementation of overall risk management, and promoted the implementation of the plan through systems, staff supplement and management of subsidiaries. According to the Notice on Piloting Consolidated Supervision for Risk Control Indicators of Securities Companies, the Company started piloting consolidated supervision and finished the preparation and submission of consolidated supervision statement in the first quarter, so as to promote the construction of consolidated management system. Moreover, the Company made resolute progress towards the construction of collectivized risk-management technology system, completed the development and test of phase I of the outsourcing system of the platform integrating transactions, investment portfolios and risk management, and also completed the refinement and integration, system development tools and selection of platforms required by the self-established (ERMP) system.

### 2. Risk Management Structure

The risk management framework of the Company covers five major parts: the Board and Compliance and Risk Management Committee; the Board of Supervisors; President's Office and Risk Control Committee; Risk Management Department and various professional risk management departments; other departments, branches and subsidiaries.

**Chart on risk management organizational structure**



The Board is ultimately responsible for the overall risk management. The Board is responsible for reviewing and approving the basic system relating to the overall risk management of the Company, approving the risk appetite, risk tolerance and significant risk boundaries of the Company, and reviewing periodic risk assessment report of the Company. The Compliance and Risk Management Committee is set up by the Board to undertake risk management responsibilities including reviewing and making recommendations on overall risk management targets and fundamental policies; evaluating and making recommendations on the risks of major decisions which require the Board's review, as well as the solutions to these risks; reviewing and making recommendations on risk management reports which require the Board's review.

The Board of Supervisors of the Company is responsible for supervising overall risk management, supervising and examining the Board and President's Office on the performance of their duties, and urging them to make rectifications.

Based on the authorization and approval of the Board and the operation targets of the Company, the President's Office is specifically responsible for the implementation of risk management and assumes the primary responsibility for overall risk management. Upon authorization of the President's Office, the Risk Control Committee under the President's Office is mainly responsible for making decisions on risk management matters in the course of operation and authorization on risk undertaking in various business lines. Chief Risk Officer of the Company is responsible for leading the overall risk management of the Company.

The Company appoints the Risk Management Department to perform the overall risk management responsibilities and take the lead in managing the market risk, credit risk and operational risk of the Company; appoints the Capital Operation Department to take the lead in managing the liquidity risk of the Company; and appoints the IT Department to take the lead in managing the information technology risk of the Company.



Other departments, branches and subsidiaries of the Company are responsible for the management of various risks in respective lines, responsible for implementing various policies, procedures and measures formulated by the Company and leading management departments of various professional risks, accepting the guidance from leading management departments of various risks and decomposing the management and implementing responsibilities of various risks. The Audit Department brings overall risk management into the audit scope, makes independent and objective review and evaluation on the adequacy and effectiveness of overall risk management, and is responsible for leading or entrusting external professional institutions to evaluate the overall risk management system of the Company at regular intervals.

### 3. Market Risk

Market risk refers to the risk of asset loss of the Company resulting from fluctuations in risk factors, including stock prices, interest rates, exchange rates and commodities. During the Reporting Period, the Company took many measures to guard against market risks. Generally, in light of the risk features of various businesses, the Company established a quota management system, and through this system, made front-end controls and conducted regular or irregular stress tests to see whether the overall risk of the Company is under control. In respect of equity investment, for investment in individual shares, the Company persisted in the value and diversification-based investment idea; for quantitative and derivative businesses, the Company stuck to the risk control idea of "hedging for risk control", to strictly control business exposure and reduce sensitivity of combinatorial market. In respect of fixed-income investment, the Company used various interest rate derivatives to control interest rate sensitivity of bond portfolios and control their duration at a reasonable level to reduce the volatility of their market value.

#### VAR of Market of the Company (statistical caliber of parent company):

Currency: RMB

Forward-looking Period: 1 day; Confidence: 95%; Historical Analogical Method; Unit (in RMB10 thousand)		
	As at the end of 2017 Interim Period	As at the end of 2016 Interim Period
Stock Price Sensitive Financial Instruments	9,461	37,359
Interest-sensitive Financial Instruments	2,621	591
Overall of the Company	8,630	32,893

Explanation: Statistical caliber of parent company

Source: Internal statistics of the Company

### 4. Credit Risk

Credit risk refers to the risk of asset loss of the Company resulting from the default of a product or bond issuer or counterparty (customer). During the Reporting Period, the Company strengthened the depth and effectiveness of its credit risk management from the perspective of basic management system of credit risk and practical risk management of various projects. While keeping promoting the construction of management system for customers' bad credit behaviors and economic capital measurement system, the Company strengthened the recruitment of project audit talents, established a system for unified management of counterparties and a system for management of resolution and disposal of risk assets, promoted the development of basic system and practical management system for credit risk management and strengthened links such as identification, front-end control and disposal of risks, thus effectively prevented and controlled credit risks.

## 5. Liquidity Risk

Liquidity risk refers to the risk that the Company cannot obtain sufficient funds at a reasonable cost in time to meet due debts, perform other payment obligations and meet the capital requirements of normal businesses. During the Reporting Period, the Company constantly improved the plan usage of capital planning system, strengthened capital management and cash flow monitoring, and ensured daytime liquidity; with due prudence, the Company set up a cash flow analysis framework and monitored the framework every day through the information technology system to improve the frequency and accuracy of liquidity risk monitoring; the Company analyzed the stress situation of the Company's cash flow and financing gap, evaluated the Company's ability to bear liquidity risk, analyzed the stress test results, and continuously raised the pressure resistance ability of the Company's liquidity risk; the Company, according to the risk appetite, established right-sized liquidity reserves and reserved sizeable assets with high liquidity to prevent the liquidity risk of the Company; the Company improved the liquidity risk reporting system to ensure that the management can in a timely manner understand the status of the liquidity risk and its management. As at the end of the Reporting Period, the Company's liquidity coverage ratio (LCR) was 331.53% and its net stable funding rate (NSFR) was 145.10%, both of which increased significantly than the end of 2016 and continued to meet regulatory requirements every day.

## 6. Operational Risk

The operational risk refers to the risk on the Company's losses caused by inadequate or problematic internal procedures, staff, system or external events. During the Reporting Period, the Company optimized the functions of operational risk management system, established the linkage and problem management mechanism for three major tools of operational risk management, and continuously sorted out and improved the risk points and control measures and key operational risk indicators, prompted risks in important businesses or links with greater operational risks and conducted special assessments; established regular meeting mechanism for operational risk management of subsidiaries, guided the subsidiaries to sort out and establish key operational risk indicators, promoted the comprehensive establishment and application of the three major management tools in the subsidiaries, and deepened the coverage of operational risk management mechanism in the subsidiaries; established risk assessment mechanism for new businesses, standardized and solidified the assessment process and key points; strengthened the implementation of the license management system, and sorted out and determined scope of authorization of various departments.

## 7. Compliance Risk

Compliance risk refers to exposure to property loss or business reputation loss as a result of bearing legal responsibility, supervisory measures or disciplinary sanctions imposed on securities companies due to violation of laws, rules and standards by operational management or professional conduct performed by securities companies or their employees. During the Reporting Period, the Company continuously improved the compliance management system, strengthened the compliance contact and control among the Group's members, and improved subsidiaries' mechanism for reporting of compliance management information and communication; improved the compliance training system and enriched training forms; carefully carried out compliance reviews, promptly pointed out compliance issues or flaws, and put forward normative proposals to promote the normal operation of relevant businesses; strengthened compliance checks, raised normative proposals for problems found during the check and followed up the rectification; comprehensively implemented the requirements in the Measures for the Administration of Large and Suspicious Transactions Reporting by Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》) of the People's Bank of China, actively and orderly promoted operational progress of the Company, including amendments to anti-money laundering related internal system, optimization of indicators and models for monitoring of suspicious transactions, and upgrading of monitoring and reporting system, to comprehensively enhance the effectiveness of anti-money laundering work.

## 8. Information Technology Risk

Information technology risk mainly refers to the risk due to abnormal operation of company information system or data damage or leakage caused by various internal and external reasons, making information system unable to continuously ensure stable, efficient and safe transaction and business management in aspects of business realization, response speed, handling capacity, data encryption, etc., thus bringing certain loss to the Company. During the Reporting Period, the Company continuously increased the investment in information technology to improve the governance, security, and compliance management of information technology, gradually established a professional information technology services management system orienting business line, provided guarantee for the security, reliability and stability of the Company's operational management support information system and prevented the risks of information technology.

### (III) OTHER DISCLOSURES

During the Reporting Period, the Company had no other undisclosed matters which shall be disclosed.

## Major Events >

### I. INTRODUCTION TO SHAREHOLDERS' GENERAL MEETINGS, MEETINGS OF THE BOARD AND MEETINGS OF THE SUPERVISORY COMMITTEE

General meetings are as follows:

Session	Date of meeting	Query index for the designated website for publishing resolution	Date of disclosure for publishing resolution
2016 shareholders' annual general meeting	June 21, 2017	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.htsc.com.cn">http://www.htsc.com.cn</a>	June 22, 2017

Meetings of the Board are as follows:

Meeting	Convening date	Meeting form	Resolutions
The Second Meeting of the Fourth Session of the Board	March 1, 2017	By means of on-site & video meetings	<ol style="list-style-type: none"> <li>1. Consider the Resolution on Structure Reorganization of the Subsidiary in Hong Kong</li> <li>2. Consider the Resolution on Donation of Poverty Alleviation Funds of RMB1 million by the Company;</li> <li>3. Consider the Resolution on Donation to Jiangsu Charity Federation by the Company;</li> </ol>
The Third Meeting of the Fourth Session of the Board	March 17, 2017	By means of teleconference	<ol style="list-style-type: none"> <li>1. Consider the Resolution on Implementation of the Work Plan of Comprehensive Risk Management Requirements.</li> </ol>

Meeting	Convening date	Meeting form	Resolutions
The fourth Meeting of the Fourth Session of the Board	March 30, 2017	By means of on-site meeting	<ol style="list-style-type: none"> <li>1. Consider the Work Report of the President of the Company for 2016;</li> <li>2. Consider the Final Account Report of the Company for 2016;</li> <li>3. Consider the Financial Budget Report of the Company for 2017;</li> <li>4. Consider the Proposal on Profit Distribution Plan of the Company for 2016;</li> <li>5. Consider the Work Report of the Board for 2016;</li> <li>6. Consider the Resolution on the Annual Report of the Company for 2016;</li> <li>7. Consider the Resolution on the Annual Compliance Report of the Company for 2016;</li> <li>8. Annual Consider the Resolution on the Risk Management Report of the Company for 2016;</li> <li>9. Consider the Resolution on the Internal Control Assessment Report of the Company for 2016;</li> <li>10. Consider the Resolution on the Social Responsibility Report of the Company For 2016;</li> <li>11. Consider the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2017;</li> <li>12. Consider the Proposal on the Anticipation of the Amount of the Company's Investment for 2017;</li> <li>13. Consider the Proposal on Election of Mr. XU Feng as the Non-Executive Director of the Fourth Session of the Board;</li> <li>14. Consider the Resolution on Re- appointment of the Accounting Firm for the Company;</li> <li>15. Consider the Resolution on the General Mandates for Domestic and Overseas Debt Financing Tools of the Company;</li> <li>16. Consider the Report on the Performance Assessment and Remuneration of Directors of the Company for 2016;</li> <li>17. Consider the Report on Execution of Duty, Performance Assessment and Remuneration of the Senior Executives of the Company for 2016;</li> <li>18. Consider the Resolution on Convening the General Meeting of the Company for 2016;</li> <li>19. Listen to the Work Report of Independent Directors of the Company for 2016;</li> <li>20. Listen to the Report on the Performance of Duties of the Audit Committee of the Board for 2016;</li> <li>21. Listen to the Work Report of the Compliance Director of the Company for 2016;</li> <li>22. Review the Report on Execution of the Net Capital and Risk Control Indicators of the Company for 2016.</li> </ol>
The Fifth Meeting of the Fourth Session of the Board	April 26, 2017	By means of on-site & video meetings	<ol style="list-style-type: none"> <li>1. Consider the Resolution on the first quarterly report of the Company for 2017;</li> <li>2. Consider the Resolution on Appointment of Secretary to the Board, Joint Company Secretary and Authorized Representatives;</li> <li>3. Consider the Resolution on Expansion of Securities-backed Lending Scale of the Company;</li> <li>4. Consider the Resolution on Amendment to the Risk Management Basic Systems of the Company</li> <li>5. Consider the Resolution on Amendment to the Terms of Reference of Special Committees of the Board of Directors of Huatai Securities Co., Ltd.;</li> <li>6. Consider the Resolution on Amendment to the Working System for Independent Directors of Huatai Securities Co., Ltd.;</li> <li>7. Consider the Resolution on the Provision of Guarantee on the Net Capital of the Company's Wholly-owned Subsidiary Huatai Securities (Shanghai) Asset Management Co., Ltd.;</li> <li>8. Consider the Resolution on Increase of Agenda for the General Meeting for 2016 of the Company;</li> </ol>

Meeting	Convening date	Meeting form	Resolutions
The sixth Meeting of the Fourth Session of the Board	May 26, 2017	By means of on-site & video meetings	<ol style="list-style-type: none"> <li>1. Consider the Resolution on Proposing to Grant General Mandate to the Board to issue Shares at the General Meeting;</li> <li>2. Consider the Resolution on the Company's Compliance with the Conditions of Non-Public Issuance of A Shares;</li> <li>3. Consider the Resolution on Plan of the Company's Non-Public Issuance of A Shares;</li> <li>4. Consider the Resolution on Proposal of the Company's Non-Public Issuance of A Shares;</li> <li>5. Consider the Resolution on the Feasibility Analysis Report on the Use of Proceeds Raised from the Non-Public Issuance of A Shares by the Company;</li> <li>6. Consider the Resolution on the Report on the Use of the Proceeds Raised in the Previous Issuance of Shares;</li> <li>7. Consider the Resolution on the Dilution of Current Returns and Remedial Measures upon the Non-Public Issuance of A Shares of the Company;</li> <li>8. Consider the Resolution on the Company's Shareholders' Interim Return Plan for the Years from 2017 to 2019;</li> <li>9. Consider the Resolution on the Company's Interim Capital Plan for the Years from 2017 to 2019;</li> <li>10. Consider the Resolution on Authorization for the Board and Its Authorized Persons to Handle Relevant Matters of the Non-Public Issuance of A Shares by the General Meeting;</li> <li>11. Consider the Resolution on the Amendments to the Articles of Association of Huatai Securities Co., Ltd.;</li> <li>12. Consider the Resolution on the Organizational Structure of the Headquarters and Adjustments to Relevant Departmental Duties.</li> </ol>
The seventh Meeting of the Fourth Session of the Board	June 26, 2017	By means of teleconference	<ol style="list-style-type: none"> <li>1. Consider the Resolution on Adjustment of Composing Solution of Certain Specialized Committees of the Fourth Session of the Board of the Company.</li> </ol>

Meetings of the Supervisory committee are as follows:

Meeting	Convening date	Meeting form	Resolutions
The second Meeting of the Fourth Session of the Supervisory Committee	March 30, 2017	By means of on-site meeting	<ol style="list-style-type: none"> <li>1. Consider the Work Report of the Supervisory Committee of the Company for 2016;</li> <li>2. Consider the Proposal on Profit Distribution of the Company in 2016;</li> <li>3. Consider the Resolution on the Company's Annual Report for 2016;</li> <li>4. Consider the Resolution on the Company's Internal Control Evaluation Report for 2016;</li> <li>5. Consider the Report concerning Performance Assessment and Remuneration of the Supervisors in 2016;</li> <li>6. Listen to Report on Internal Audit of the Company in 2016;</li> <li>7. Listen to Work Plan on Internal Audit of the Company in 2017.</li> </ol>
The third Meeting of the Fourth Session of the Supervisory Committee	April 26, 2017	By means of on-site meeting	<ol style="list-style-type: none"> <li>1. Consider the Resolution on the First Quarterly Report of the Company in 2017.</li> </ol>

## II. PROPOSAL OF PROFIT DISTRIBUTION OR CONVERSION FROM CAPITAL RESERVES

The Board of the Company has not worked out the proposals of profit distribution or share capital conversion from capital reserves for the first half of 2017 during the review of the interim report.

## III. PERFORMANCE OF UNDERTAKINGS

- (I) Undertakings of de facto controllers, shareholders, related parties, purchasers, the Company and other undertaking-related parties made or remain effective during the Reporting Period

Background	Type of undertaking	Undertaking party	Content of undertaking	Date and duration of undertaking	Any deadline for performance or not	Strictly performed in a timely manner or not
Other undertakings made to minority shareholders of the Company	To solve horizontal competition	Jiangsu Guoxin	Jiangsu Guoxin and its subsidiaries or associated companies shall not engage in or conduct any business which compete with the primary business of Huatai Securities at any time in future and in any form (including but not limited to self-owned, joint venture or cooperation) (except Jintai Futures Co., Ltd.). For any opportunities to conduct, engage in or invest in any business which may compete with the business of Huatai Securities available to Jiangsu Guoxin and its subsidiaries or associated companies, Jiangsu Guoxin shall refer to Huatai Securities (except Jintai Futures Co., Ltd.).	Issuing date: June 27, 2014; expiry date: in a long term	No	Yes

## IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

Description of appointment and removal of accounting firm

As approved at the 2016 shareholders' annual general meeting of the Company, the Company reappointed KPMG Huazhen LLP to audit the accounting statements and internal controls of the Company and its holding subsidiaries for 2017 and issue audit reports on A shares and internal control; approved the appointment of KPMG as the auditor for the H shares of the Company to issue audit reports on H shares. The auditing fee is not more than RMB5 million in aggregate.

## V. BANKRUPTCY AND RESTRUCTURING

The Company was not involved in any bankruptcy or restructuring during the Reporting Period.

## VI. MATERIAL LITIGATION AND ARBITRATION

### (I) Litigation and Arbitration Disclosed in ad hoc Announcements without Subsequent Development

Summary and type of event	Query indexes
Debt disputes between Huatai United Securities, Stone Group (四通集團) and Stone Group Financial Company (四通集團財務公司)	Could be retrieved in the annual reports and interim reports for the Year 2015–2016
Objection to enforcement for the deposit receipts under pledge raised by Huatai Securities as the manager of "Jinling No. 6 Targeted Assets Management Plan of Huatai Securities"	Could be retrieved in the annual reports for the Year 2015–2016 and interim report for 2016
A considerable overloss in futures account of Zhang Xiaodong, a client of Huatai Futures	Could be retrieved in the annual reports and interim reports for the Year 2015–2016

### (II) Litigation and Arbitration not Disclosed in Ad hoc Announcement or with Subsequent Development

Unit and Currency: RMB

Litigation and Arbitration with Subsequent Development during the Reporting Period:

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of litigation or arbitration	Basic status of litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) forms estimated liabilities and amount or not	Progress of litigation (arbitration)	Award and effect of litigation (arbitration)	Enforcement of judgment of litigation (arbitration)
Huatai United Securities	Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司) and China Huacheng Group Financial Co., Ltd. (華誠集團財務有限責任公司)		Debt dispute	Refer to notes	32,583,118.78	No	Refer to notes	Refer to notes	Refer to notes
Huatai United Securities	Beijing Huazi Syndicate Group (北京華資銀團集團)		Debt dispute	Refer to notes	24,391,031.00	No	Refer to notes	Refer to notes	Refer to notes
Huatai United Securities	China Nuclear Energy Industry Corporation (中國原子能工業有限公司)		Contract dispute	Refer to notes	12,703,686.88	No	Refer to notes	Refer to notes	Refer to notes



(entrust) Chengdu Branch of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司成都分行)	Sichuan Shengda Group Limited (四川聖達集團有限公司)	Debt dispute	Refer to notes	62,146,233	No	Refer to notes	Refer to notes	Refer to notes
Xiamen Bank Company Limited (廈門銀行股份有限公司)	Shenzhen Branch of Bank of Ningbo Co., Limited (寧波銀行股份有限公司深圳分行)	Bill dispute	Refer to notes	—	No	Refer to notes	Refer to notes	Refer to notes

1. Debt disputes between Huatai United Securities, China Huacheng Group Financial Co., Ltd. (中國華誠集團財務有限責任公司) (hereinafter referred to as "Huacheng Group") and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司) (hereinafter referred to as "Huacheng Investment"): Huacheng Group misappropriated the funds of branches of Huatai United Securities of more than RMB37.2 million. Cash of RMB17.38 million in aggregate was detained from three branches and the head office of Huatai United Securities by various local courts due to debt disputes between Huacheng Group and its creditors. However, Huacheng Group refused to pay the debts. In December 2003, Huatai United Securities submitted a lawsuit to the Shenzhen Intermediate People's Court to demand Huacheng Investment and Huacheng Group to severally and jointly settle the debts. After the filing of the lawsuit, all local courts were instructed by the Supreme People's Court that no litigation involving Huacheng Investment and its subsidiaries shall be accepted, heard or executed. The lawsuit has been adjourned since then. In May 2009, Huacheng Investment was ruled bankrupt and put under liquidation by the court. In August 2009, Huatai United Securities filed a claim of RMB125.98 million (sum of principal and interest) to the liquidation committee. However, the debt was unconfirmed because it had not been verified by the court. In March 2010, the Shenzhen Intermediate People's Court resumed the hearing of the case and approved all of the claims of Huatai United Securities after the first trial. Huacheng Investment and Huacheng Group were demanded to jointly and severally pay RMB54.584 million to Huatai United Securities and litigation fee of RMB282,000. After that, Huatai United Securities filed its bankruptcy claim for the debts and litigation fee to the liquidation committee of Huacheng Investment. On December 21, 2012, Huatai United Securities has received a civil order from Beijing No. 2 Intermediate People's Court (hereinafter referred to as the "No. 2 Intermediate Court") stating that the liquidation of Huacheng Investment was completed. During the liquidation of Huacheng Investment, Huatai United Securities was distributed 2,764,400 shares in Huafang Co., Ltd. (華紡股份有限公司) and cash of RMB1,824,000. In July 2012, Huacheng Group was ruled bankrupt and put under liquidation by the court. In June 2013, the liquidator issued a List of Debts for Verification for the debt confirmation by Huatai United Securities. On March 21, 2014, No. 2 Intermediate Court convened a meeting of creditors of Huacheng Group. At the meeting, the liquidator stated that "as Huatai United Securities Co., Ltd. denied the capacity of Huacheng Investment as its shareholder, it is not a creditor to the debts owed by Huacheng Group". Accordingly, Huatai United Securities submitted a lawsuit regarding the confirmation of debts to Beijing No. 2 Intermediate People's Court. On November 18, 2014, the No. 2 Intermediate Court announced its judgment (2014) Er Zhong Min Chu Zi No. 6794, pursuant to which, Huatai United Securities shall be a creditor to the debts of Huacheng Group in the amount of RMB39,387,194.72. On September 21, 2016, Huatai United Securities received the debts of RMB3,545,039.60 paid by the liquidator. The equity dispute between the two parties was ruled by the No. 2 Intermediate Court via the civil verdict (2015) Er Zhong Min (Shang) Chu Zi No. 05326 issued on October 26, 2015, denying the lawsuit for the confirmation of Huacheng's equity. The capital cancellation for the 2.52 million shares originally registered under Huacheng Investment has been confirmed as effective. The amount involved in the table above is estimated base on the amount receivable by Huatai United Securities by 2017.

2. Debt dispute between Huatai United Securities and Beijing Huazi Syndicate Group (北京華資銀團集團): As Beijing Huazi Syndicate Group failed to repay its debt to Huatai United Securities according to the agreement, Huatai United Securities filed a lawsuit to the People's Court in Futian District of Shenzhen in January 2011 against Beijing Huazi Syndicate Group to demand payment of the principal and interest thereon of RMB34.5789 million in aggregate. After the first trial in February 2011, the court ordered the payment to Huatai United Securities of RMB24.3 million plus interest calculated at the interest rate of bank deposit during the same period by Beijing Huazi Syndicate Group. Beijing Huazi Syndicate Group filed an appeal to the Shenzhen Intermediate People's Court against the judgement. In June 2011, the court issued the final judgment, dismissing the appeal and sustaining the judgment of the court of first instance. Regarding to the legal proceedings instituted by Huatai United Securities against Huang Zuxiang, Huang Ping, Huang Zufeng and the deputies between Beijing Huazi Syndicate Group and Huatai United Securities, No. 3 Intermediate People's Court in Beijing issued a civil verdict (2015) San Zhong Min (Shang) Chu Zi No. 03020 on December 4, 2015, demanding Huang Zuxiang and Huang Zufeng, as shareholders of Huazi Syndicate Group, to pay Huatai United Securities the debt principal of RMB24.3 million as well as case acceptance fee of RMB91,000 on behalf of Huazi Syndicate Group. Huang Zuxiang and Huang Zufeng have not performed the debt settlement order since 2016. On May 31, 2016, Huatai United Securities applied to No. 3 Intermediate People's Court in Beijing for verdict enforcement. In the process of enforcement of the verdict, the court seized Huang Zufeng's house at No. 603, Door 1, Building 10, Zuojiazhuang Dongli, Chaoyang District, Beijing City, and Huang Zufeng raised an objection to the enforcement. On December 9, 2016, No. 3 Intermediate People's Court in Beijing rejected the opponents' objection with the enforcement ruling (2016) Jing 03 Zhi Yi No. 126. The verdict is now in the process of enforcement.
3. China Nuclear Energy Industry Corporation (中國原子能工業有限公司) (hereinafter referred to as "Nuclear Energy Corp") brought legal proceedings regarding to a deposit receipts dispute against Huacheng Group and Huacheng Investment. The No. 2 Intermediate Court issued a civil verdict (1998) Er Zhong Jing Chu Zi No. 1218 on February 10, 1999. After the verdict came into effect, Nuclear Energy Corp applied to the No. 2 Intermediate Court for verdict enforcement on July 12, 1999. The No. 2 Intermediate Court, according to law, impounded the shares of United Securities Co., Ltd. (hereinafter referred to as "United Securities") held by Huacheng Investment. After that, Nuclear Energy Corp acquired 36.6 million shares of United Securities held by Huacheng Investment through auction. United Securities considered the contribution of RMB14.98 million at the beginning of the investment in United Securities by Huacheng Investment as overstated (deduction enforced by the court), and therefore filed a writ and raised an objection to enforcement to the Higher People's Court in Beijing and the Supreme People's Court. The No. 2 Intermediate Court and Nuclear Energy Corp finally deducted the 13.48 million shares of United Securities (equivalent to RMB14.98 million) from the 36.6 million shares of United Securities acquired through auction by Nuclear Energy Corp, and the remaining equity of 23.12 million shares were transferred to Nuclear Energy Corp. However, the aforesaid 13.48 million shares were requested to continue to be frozen under the name of Nuclear Energy Corp by the No. 2 Intermediate Court.

At the end of 2003, United Securities instituted proceedings to court against Huacheng Group and Huacheng Investment, but the proceedings were halted as the Supreme People's Court informed all the courts over the country to temporarily refuse to accept cases in relation to Huacheng Group and its subsidiaries through an openly transmitted telegraph. Therefore, United Securities initiated the negotiation with Nuclear Energy Corp in relation to the application of freezing the 13.48 million shares in the No. 2 Intermediate Court under the name of Nuclear Energy Corp. The two parties reached a mutual consent on the basis of mutual benefit. United Securities agreed that the aforesaid 13.48 million shares would continue to be under the name of Nuclear Energy Corp, provided that the entire equity would be spilt up in two parts in 40–60 proportion, in which Nuclear Energy Corp obtained 5.5 million shares, and the remaining 7.98 million shares were obtained by United Securities as the settlement of the debt owed by Huacheng Investment. In 2008, the 13.48 million shares of Huacheng Investment were transferred to Nuclear Energy Corp. By then, Nuclear Energy Corp, on behalf of United Securities, held the 7.98 million shares, which were originally held by Huacheng Investment in United Securities.

In 2009, Huatai Securities restructured United Securities. United Securities changed its name to Huatai United Securities Co., Ltd. After the split-off, Nuclear Energy Corp held 10.98 million shares of Huatai United Securities, in which 8.586 million shares were held on its behalf, and 2.394 million shares were held as warehouse. Huatai Securities then negotiated with Nuclear Energy Corp, agreeing that Nuclear Energy Corp transferred 2 million shares of the 2.394 million entrusted shares to Huatai Securities, and the transfer payment was made to Huatai United Securities. The remaining 394,000 shares together with the 8.586 million shares of Nuclear Energy Corp (8.98 million shares in total) were converted to equity interest in Huatai Securities. Nevertheless, the issue of the 2 million entrusted shares held by Nuclear Energy Corp was yet to be settled.

On December 23, 2014, Huatai United Securities lodged a lawsuit against Nuclear Energy Corp, requiring Nuclear Energy Corp to dispose of the 2 million entrusted shares it held and paid the proceeds to Huatai United Securities. On June 28, 2016, the people's court in Xicheng District of Beijing issued a civil verdict (2015) Xi Min (Shang) Chu Zi No. 1048 in favour of Huatai United Securities in the first instance. Nuclear Energy Corp appealed against the judgment. On October 25, 2016, Beijing No. 2 Intermediate People's Court issued a civil verdict (2016) Jing 02 Min Zhong No. 7351, rejected the appeal of Nuclear Energy Corp and sustained the original judgment. Nuclear Energy Corp made a retrial application. On April 27, 2017, Higher People's Court of Beijing Municipality issued a civil order (2017) Jing Min Shen No. 871, rejecting the retrial application of Nuclear Energy Corp. At present, the final judgment of the case has come into effect, and is currently in the process of implementation. The amount involved in the above litigation was estimated based on the data of net assets of Huatai United Securities as of the end of 2016.

4. Debt dispute between Huatai Securities and Sichuan Shengda Group Co., Ltd. (四川聖達集團有限公司): The interest of corporate bond of Sichuan Shengda Group Co., Ltd. of 2012 ("12 Shengda bond", bond code: 1280443) was not able to be paid to Huatai Securities in full and the principal amount of the bond was not able to be paid for redemption in full upon maturity. Huatai Securities and other creditors jointly entrusted the Chengdu branch of the Bank of Tianjin Co., Ltd. to raise a litigation at Sichuan Higher People's Court on June 7, 2016 according to the decision made in the meeting of bondholders. Sichuan Higher People's Court held a public hearing on August 26, 2016. The parties concerned were willing to reach an agreement upon mediation. According to the civil mediation (2016) Chuan Min Chu No. 49 of Sichuan Higher People's Court, Sichuan Shengda Group Co., Ltd. should repay the principal, interest and interest penalty. As of June 30, 2017, the amount attributable to Huatai Securities was: principal of RMB50 million, interest receivable of RMB9.3058 million and interest penalty of RMB2.8404 million.
5. Huatai Asset Management's participation in lawsuit concerning bill contract dispute as a third party: As a manager of No. 1 Targeted Assets Management Plan of Bank of Huafu Xiamen (華福廈門銀行), Huatai Asset Management made investments according to the consignor's instructions. Under the Targeted Management Plan, Huatai Asset Management conducted two transactions of transfer and repurchase of usufruct over commercial acceptance bills with its counterparty Shenzhen Branch of Bank of Ningbo Co., Limited ("Shenzhen Branch of Bank of Ningbo"). According to the relevant transaction contract, the two transactions were started on January 26, 2016 ("1st transaction") and May 13, 2016 ("2nd transaction"), respectively. So far, the two transactions have become due according to the relevant transaction contract. By par value, a total of RMB950 million was not paid (including RMB450 million not paid for the 1st transaction and RMB500 million not paid for the 2nd transaction). Xiamen Bank filed a lawsuit to the High People's Court in Fujian Province on October 17, 2016 and March 6, 2017, respectively, and listed our company as a third person in the case. So far, regarding the 1st transaction, the High People's Court in Fujian Province has issued a written order, in which it dismissed the objection to the jurisdiction raised by Shenzhen Branch of Bank of Ningbo on November 18, 2016. Currently, Shenzhen Branch of Bank of Ningbo has lodged an appeal regarding the order. Regarding the 2nd transaction, Shenzhen Branch of Bank of Ningbo also raised an objection to the jurisdiction.

In the lawsuit on contract disputes involved in the abovementioned two transactions, Huatai Asset Management participated as a third person and did not have the obligations of payment or compensation in the case, and the profits and losses formed were included in the plan assets. The plan assets are independent from the assets of Huatai Asset Management. The lawsuit had no adverse effect on the profits of Huatai Asset Management during and after the Period.

### (III) Punishment and Reprimand of the Company during the Reporting Period

1. During the Reporting Period, the Company received a determination on administrative supervision measures — Determination on Taking Measures to Order Huatai Securities Co., Ltd. to Make Corrections ([2017] No. 3) (關於對華泰證券股份有限公司採取責令改正措施的決定([2017]3號)) from the CSRC on January 18, 2017, which mainly stated “upon investigation, we found that your business department and asset management subsidiary used WeChat official account and official website with the same name of the Company to publicize and market private asset management products to unspecific objects. The abovementioned behaviors violated Article 39 of Measures for the Administration of the Customer Asset Management Business of Securities Companies (《證券公司客戶資產管理業務管理辦法》), Article 14 of Interim Measures for the Supervision and Administration of Privately Offered Investment Funds (《私募投資基金監督管理暫行辦法》) and Article 27 of Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》). According to Article 33 of Interim Measures for the Supervision and Administration of Privately Offered Investment Funds (《私募投資基金監督管理暫行辦法》) and Article 70 of Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》), we decided to adopt administrative supervision and management measures to order you to make corrections. You should make rectifications as per requirements of relevant laws, administrative regulations and CSRC, further sort out relevant procedures and strengthen relevant persons’ awareness of compliance with laws and regulations. We will keep paying attention to and inspecting your rectification during daily supervision.”

On the same day, Huatai United Securities received a determination on administrative supervision measures — Determination on Issuing A Warning Letter to Huatai United Securities Co., Ltd. ([2017] No. 4) (關於對華泰聯合證券有限責任公司採取出具警示函措施的決定([2017]4號)) from the CSRC, which mainly stated “upon investigation, we found you, as a financial consultant of Beijing Leadman Biochemistry Co., Ltd. in issuing shares, purchasing assets and raising supporting funds, failed to conduct full inspection on the major customers and suppliers of the targeted assets. The abovementioned behaviors violated Article 3 and Article 24 of the Administrative Measures for the Financial Consultancy Business in the Merger, Acquisition and Reorganization of Listed Companies (《上市公司併購重組財務顧問業務管理辦法》). According to Article 39 of Administrative Measures for the Financial Consultancy Business in the Merger, Acquisition and Reorganization of Listed Companies (上市公司併購重組財務顧問業務管理辦法), we decided to take an administrative supervision and management measure by issuing a warning letter to you.”

Relevant announcements were published on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on January 19, 2017 and China Securities Journal (《中國證券報》), Shanghai Securities News (《上海證券報》), Securities Times (《證券時報》), Securities Daily (《證券日報》) and the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on January 20, 2017.

Regarding the decisions of the supervision department, the Company has taken relevant rectification measures, specifically:

- (1) Regarding the issue that the business department publicized and marketed asset management products to unspecific objects via WeChat official account, the Company organized various branches to conduct self-examination and make rectifications in respect of WeChat-based publicity of small collective products and required various branches to intensify efforts for we media management, enhance the responsibilities of persons in charge of branches, and designate persons to conduct pre-examination over the contents to be issued. The Company has criticized the business department involved in a circulated notice, pursued their responsibility in internal compliance, and required relevant units to learn a lesson so as not to repeat the mistake.

- (2) Regarding the issue that the asset management subsidiary publicized and marketed relevant asset management products to unspecific objects via official website, the Company ordered the asset management subsidiary to make rectifications. The asset management subsidiary has taken the lead to improve the website and worked out procedures for online investigation on specific objects. For small collective products, only the investors subject to specific object investigation can access the product information. We conducted special self-examination over compliance with laws and regulations in respect of website operation and information release, strengthened inspection and random inspection over information spreading based on websites and information released via WeChat official account, and included them in the main contents of compliance inspection.
2. During the Reporting Period, the Company received the Determination on Issuing A Warning Letter to Securities Branch in Zhenli Road, Tianjin of Huatai Securities Co., Ltd. (Jin Zheng Jian Cuo Shi Zi [2017] No. 7) (關於對華泰證券股份有限公司天津真理道證券營業部採取出具警示函措施的決定(津證監措施字[2017]7號)) from Tianjin Office of CSRC on June 15, 2017, which mainly stated "upon investigation, Liu Xlei, a staff of your business department copied the following contents in the Disclosure Document of Transaction Risks of Securities Lending and Borrowing on behalf the customers, namely, 'I confirm that I have read and fully understand all the contents of the abovementioned Disclosure Document of Transaction Risks of Securities Lending and Borrowing and am willing to bear the risks and losses of securities lending and borrowing business'. The abovementioned behavior violated Article 15 of the Measures for the Administration of Securities Lending and Borrowing Business of Securities Companies (《證券公司融資融券業務管理辦法》). According to Article 49 of the Measures for the Administration of Securities Lending and Borrowing Business of Securities Companies (《證券公司融資融券業務管理辦法》), we decided to take supervision and management measures by issuing a warning letter to your business department."

The Company has ordered Tianjin Branch to make rectifications. Tianjin Branch has criticized the liable persons of the business department in a circulated notice within the jurisdiction and imposed economic punishment on the directly liable persons and person in charge of the business department; organized the business department within the jurisdiction to conduct special compliance training and risk investigation so as to further improve the employees' compliance awareness especially awareness of adequacy management; designated ad hoc persons to sort out the business system and operation process of the business department, plugged the loopholes, enhanced control and started field inspection within the jurisdiction so as to improve the compliance management within the jurisdiction.

## VII. PUNISHMENT ON AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND PURCHASERS

During the Reporting Period, none of the Directors, Supervisors, senior management, shareholders holding over 5% of equity interest or de facto controllers of the Company was investigated by competent authorities, imposed with coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or issued administrative punishment by the CSRC banned from accessing to market, identified as an unsuitable person, was given material administrative punishment by other administrative departments such as environmental protection, safety supervision and taxation authorities or publicly condemned by a stock exchange.

For details of punishment on and rectification of the Company during the Reporting Period, please refer to "(III) The punishment and denouncement received by the Company in the Reporting Period" under "VI. Material litigation, arbitration" in this section of this report.

## VIII. INTERIM DIVIDEND

The Board of the Company did not make any recommendation on distributing interim dividend for the six months ended June 30, 2017.

## IX. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR IMPLICATION

During the Reporting Period, the Company did not implement equity incentive plan or employee stock ownership plan.

AssetMark Holdings, LLC, a subsidiary of the Company, granted a share-based compensation to all senior management of its subsidiary, AssetMark on November 1, 2016. The share-based compensation is profit incentive share-based payment calculated based on the Class C ordinary shares of AssetMark Holdings, LLC. The vesting conditions consist of service time and performance conditions. The options will vest in 3 years after the grant date and are exercisable with a period of 4 to 8 years. From January to June 2017, AssetMark Holdings, LLC, a subsidiary of the Company, added no share-based compensation units and no share-based compensation units were forfeited during the period. The number of units of share-based compensation remained as at June 30, 2017 is 8,075.04. The remaining contractual life of the share-based compensation outstanding as at the end of the period is 7.3 years.

## X. MATERIAL CONNECTED TRANSACTION

Details on the connected transactions under the relevant accounting standards can be found in note 50 to the consolidated financial statements. The Company confirmed that the related-party transactions were not categorised in the connected transactions or the continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules (as the case may be), and were in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

## XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

### 1. Custody, Contracting and Lease

During the Reporting Period, the Company was not engaged in custody, contracting or lease.

## 2. Guarantees

Unit and Currency: RMB'00,000,000

External guarantee of the Company (excluding guarantee to subsidiaries)													
Guarantors	Relationship between guarantors and the Company	Guaranteed parties	Amount guaranteed	Date of guarantee (Date of agreement signed)	The starting date of guarantee	Expiry date of guarantee	Types of guarantee	Whether the guarantee has been duly performed or not	Whether the guarantee is past due or not	Amount guaranteed past due	Whether counter-guarantee existed or not	Whether to be guaranteed for related parties	Related relationship
Huatai Securities (counter guarantee)	Headquarter of the Company	Bank of China (providing guarantee for the wholly-owned subsidiaries of the Company, and is the guaranteed party of the counter guarantee)	30	September 24, 2014	September 24, 2014	May 7, 2020	Guarantee for joint and several liabilities	No	No	-	Yes	No	
Total amount of guarantees during the Reporting Period (excluding the guarantees for subsidiaries)													0
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees for subsidiaries)													30
Guarantees of the Company for its subsidiaries													
Total amount of guarantees for subsidiaries during the Reporting Period													0
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)													62
Total guarantee amount of the Company (including the guarantees for subsidiaries)													
Total guarantee amount (A+B)													92
Percentage of the total guarantee amount to net assets of the Company (%)													10.95
Among which:													
Amount of the guarantees provided for shareholders, actual controllers and their associated parties (C)													0
Amount of the debt guarantees provided directly or indirectly for the guaranteed objects with an asset-liability ratio of more than 70% (D)													0
Amount of the guarantees with the guarantee amount of over 50% of net assets (E)													0
Total amount of the three guarantees mentioned above (C + D + E)													0
Undue guarantees with joint and several liabilities													
<p>1. Huatai International Finance I Limited under Huatai Financial Holdings (Hong Kong) completed the first foreign bond issuance on October 8, 2014. In order to enhance the debt service guarantee for the first foreign bonds and reduce the issuing rate, the authorized person of the Company authorized at the Company's Annual Shareholders' General Meeting for 2013, determined to have the Bank of China Macao Branch provide a guarantee for the first foreign bonds with a standby L/C. At the same time, according to the resolution of the 9th meeting of the third session of the Board, the Company issued a Letter of Counter Guarantee to the Bank of China with regard to the standby L/C opened for the first foreign bonds issued by the Company. The amount of the counter guarantee did not exceed the principal, interest and other relevant expenses of the bonds, totaling US Dollars equivalent RMB3 billion. It was a guarantee with joint and several liability. And the guarantee period would last until 6 months after the expiration of the standby L/C.</p> <p>2. In January 2015, Huatai Asset Management was officially founded. With the steady development of asset management business and rapid expansion of size of assets under management, in order to ensure that the risk control indicators of Huatai Asset Management remain in conformity with the regulatory requirements, the Company deliberated and adopted relevant proposals at the shareholders' general meeting on March 30, 2015 and September 13, 2016 respectively, after which the Company was approved to provide a net capital guarantee with the maximum amount of RMB1.2 billion and RMB5 billion for Huatai Asset Management and promised that it would provide cash within the said limit unconditionally when Huatai Asset Management requires such cash for its business development.</p>													
Conditions of guarantees													

### 3. Other Material Contracts

Currency: RMB

Name of contract	Contracting parties	Date of signing	Price for transaction	Performance
General construction contract for Huatai Securities Square	HTSC and China Jiangsu International Economic and Technological Cooperation Group Ltd.(中國江蘇國際經濟技術合作公司)	July 30, 2010	RMB1,132,851,800	In July 2010, the Company and China Jiangsu International Economic and Technological Cooperation Group Ltd. entered into the General Construction Contract for Huatai Securities Square. During the Reporting Period, the contract was duly performed and the Company paid RMB50,040,365.33 under the general construction contract and sub-contracts thereof. By the end of the Reporting Period, the Company has paid RMB774,305,483.15 in total under the general construction contract.
Construction contract for smart facilities at Huatai Securities Square	HTSC and Shanghai Haode Tech Co., Ltd. (上海浩德科技股份有限公司)	March 6, 2012	RMB213,000,000	In March 2012, the Company and Shanghai Haode Tech Co., Ltd. entered into the Construction Contract for Smart Facilities at Huatai Securities Square. A supplementary agreement was signed on February 15, 2016 and the total contract price was changed to RMB213,000,000. During the Reporting Period, the contract was duly performed and the Company paid RMB9,086,299.31 under the construction contract for smart facilities. By the end of the Reporting Period, the Company has paid RMB180,782,684.31 in total under the construction contract for smart facilities.
Construction contract for interior decoration of the second bid section of Huatai Securities Square	HTSC and Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司)	May 21, 2013	RMB122,000,000	On May 21, 2013, the Company and Zhejiang Yasha Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Second Bid Section of Huatai Securities Square. A supplementary agreement was signed on July 14, 2016 and the contract price was changed to RMB122,000,000. During the Reporting Period, the contract was duly performed and the Company paid RMB8,163,268 under the construction contract for interior decoration of the second bid section. By the end of the Reporting Period, the Company has paid RMB103,633,137.01 in total under the construction contract for interior decoration of the second bid section.



Name of contract	Contracting parties	Date of signing	Price for transaction	Performance
Construction contract for interior decoration of the first bid section of Huatai Securities Square	HTSC and China Building Technique Group Co., Ltd. (中國建築集團有限公司)	May 21, 2013	RMB120,071,306.95	On May 21, 2013, the Company and China Building Technique Group Co., Ltd. entered into the Construction Contract for Interior Decoration of the First Bid Section of Huatai Securities Square. Supplementary Agreement (2) was signed on July 9, 2015 to change the total contract price to RMB98,000,000 and Supplementary Agreement (3) was signed on July 14, 2016 to change the total contract price to RMB120,071,306.95. During the Reporting Period, the contract was duly performed and the Company paid RMB12,742,954 under the construction contract for interior decoration of the first bid section. By the end of the Reporting Period, the Company has paid RMB106,785,019.56 in total under the construction contract for interior decoration of the first bid section.
Construction contract for interior decoration of the third bid section of Huatai Securities Square	HTSC and Shenzhen Shen Zhuang Zong Decoration Co., Ltd. (深圳市深裝總裝飾工程工業有限公司)	October 2013	RMB135,052,595.7	In October 2013, the Company and Shenzhen Shen Zhuang Zong Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Third Bid Section of Huatai Securities Square. A supplementary agreement was signed on February 3, 2016 and the total contract price was changed to RMB135,052,595.7. During the Reporting Period, the contract was duly performed and the Company paid RMB0 under the construction contract for interior decoration of the third bid section. By the end of the Reporting Period, the Company has paid RMB108,995,658.88 in total under the construction contract for interior decoration of the third bid section.

## XII. POVERTY ALLEVIATION EFFORTS OF LISTED COMPANIES

### 1. Targeted Poverty Alleviation Planning

- (1) Basic strategies: alleviating and getting rid of poverty in targeted areas
- (2) General objectives: to help poor counties get rid of poverty soon, and to make due contribution in respect of building a moderately prosperous society comprehensively by 2020 in order to overcome poverty by fully capitalizing on the Company's advantages on talents, intelligence, resources and capital.
- (3) Main mission: to help targets of poverty alleviation and areas in poverty proactively in developing industries with characteristics and advantages by integrating local resources, to enhance the development capability of such targets and areas with the help of the capital market and to continue to strengthen the internal momentum of economic development.

(4) Protective measures

- 1) Establishing poverty alleviation work stations which offer financial services: establishing poverty alleviation work stations which offer financial services in poor areas, and establishing a long-term effective system regarding participating in poverty alleviation programs to give assistance to the poor in order to achieve deep connection between the Company and the poverty alleviation targets.
- 2) Setting up branches: Setting up branches in poor areas when the condition is mature, providing information on securities laws and financial knowledge, disseminating rational investment concepts so as to facilitate the healthy development of local capital markets.
- 3) Providing multi-layered capital market poverty alleviation services
  - ① Meeting the cultivation and incubation demand of listing guidance in poor counties precisely, recommending eligible quality enterprises to carry out listing and financing proactively, providing assistance to enterprises in the county areas on regulatory governance, as well as providing advice and suggestions for enterprises entering the capital market.
  - ② Participating proactively in supply-side structural reform in poor counties and providing differentiated financial services to enterprises with different sizes, types and growth stages.
  - ③ Carrying out training to improve financial knowledge.
- 4) Providing industry poverty alleviation services
  - ① Providing support and services for the establishment of industry funds in poor counties, participating and providing guidance actively in the management and operation of funds, providing investment, financing and management consulting services for small- and medium-sized enterprises in poor counties, facilitating the economic development and industry upgrading of poor counties by broadening financing channels.
  - ② Assisting poor counties to carry out promotional activities to attract enterprises and investments based on the industry development condition of the poor counties.
- 5) Providing poverty alleviation services regarding consumption: helping special agricultural products of poor counties to broaden their sales channels by using the China Securities inter-connection business platform on poor alleviation regarding consumption actively in order to increase farmers' income and boost industrial development.
- 6) Providing poverty alleviation services regarding education: organizing outstanding internal lecturers to interact with higher vocational institutes of poor counties, in an effort to help foster financial professionals in poor counties and to provide strong support in human resources for the long-term development of poor counties.
- 7) Providing employment and poverty alleviation services: Under the same condition, employing fresh graduates from poor families in administrative record for poverty registration in poor counties which are given assistance by twining poverty alleviation programs in priority to help solve the employment problem of poor families.

- 8) Providing community services for poverty alleviation
  - ① Operating aiding impoverished groups activities specifically, organizing compassionate people to offer donations of money and materials to poor villages and poor families with established archives and cards.
  - ② Operating multi-type community activities such as caring for the construction of Children's Home to promote the development of poor counties' public undertakings.
- 9) Actively introducing local characteristic resources: integrating the practice of the Company with that of poor areas with practice of the Company itself and poor areas, actively introduce local characteristic resources such as ecology, tourism and education, such as founding red education bases at revolutionary districts.
- 10) Selecting staff to take temporary posts: According to poor areas' demands, select politically qualified staff with high professional level and strong organizational and coordinative skills to take temporary posts in poor areas to carry out targeted poverty alleviation.

## 2. Outline of Targeted Poverty Alleviation during the Reporting Period

In the first half of 2017, adhering to the basic strategies of alleviating and getting rid of poverty in targeted areas, the Company concentrated on and strengthened ongoing efforts for poverty alleviation. Firstly, the Company continued to enhance endeavours to provide counterpart-assistance to Northern Jiangsu. The Company raised the poverty relief fund from RMB450,000 in 2016 to RMB1 million in 2017, and made such funds in place immediately. Currently, the "repository for the preservation of 600 tons of fruit and vegetables" project in Honglou Village, Liangzhai Town, Feng County, which was constructed with the help of the Company, has been rented out, generating an extra income of RMB150,000 for the whole village every year and solving the problem of employment for partial low-income peasant households. In 2017, the Company plans to invest RMB550,000 to assist the village in developing infrastructure, involving five livelihood projects, including construction of public toilets, road broadening, afforestation, darkening of sewer and backfilling, so as to greatly change the image of the village. Secondly, the Company promoted the policy of "a company, a county" in a solid manner. In respect of consumption poverty alleviation, the agricultural byproducts with Jinzhai County's local characteristics recommended by the Company, such as Jinzhai ganoderma lucidum spores powder and antibiotic-free pork, are sold online on "Zhong Zheng Pu Hui" APP; in respect of industrial poverty alleviation and financing services, the Company held a seminar to discuss normative problems of NEEQ-listed companies according to demands of local enterprises to help them solve relevant problems; in other respects, the Company actively promoted red educational resources in Jinzhai County and organized CPC members to conduct trainings in rotation in Jinzhai County; at present, the first training session has been completed successfully. Thirdly, the Company was active in commonwealth undertakings to help the distressed.

In the first half of 2017, the Company spent RMB9,425,500 on commonwealth undertakings, involving study assistance, aiding of the poor and targeted poverty alleviation. Except for participating in commonwealth undertakings through such channels as the China Charity Federation, Jiangsu Charity Federation and charity funds of various associations, our branches and business departments were also actively involved in targeted poverty alleviation through local governments or associations. All in all, we engaged in more commonwealth undertakings to help the distressed.

### 3. Statistical Table of Targeted Poverty Alleviation by Listed Companies during the Reporting Period

Unit and Currency: RMB'0,000

Index	Number and implementation information
I. General information	
Including: 1. Fund	942.55
2. Number of poor people helped to be removed from administrative record for poverty registering (Persons)	109
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Types of industrial poverty alleviation projects	<input checked="" 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	3
1.3 Amount invested in industrial poverty alleviation projects	110
1.4 Number of poor people helped to be removed from administrative record for poverty registering (Persons)	109
2. Poverty alleviation through education	
Including: 2.1 Amount invested in subsidizing poor students	4.7
2.2 Number of students receiving allowance (Persons)	47
2.3 Amount invested in improvement of education resources in poverty area	50
3. Social poverty alleviation	
3.1 Amount invested in targeted poverty alleviation	99.4
3.2 Public funds for poverty alleviation	528.45
4. Other projects	
Including: 4.1 Number of projects (Project)	1
4.2 Amount invested	150
4.3 Details of other projects	Charity sponsorship

#### 4. Follow-up Targeted Alleviation Plan

##### (1) Making every effort to develop "Five Parties Linking Together" ("五方掛鉤") assistance in pairs in the new period of Jiangsu Province

- ① Ensuring benefits of cold storage project undertaken by the Company and distributing 50% of the benefits to low-income peasant households according to the agreement.
- ② Bringing peasant households into daily works of the cold storage project to solve the problem of employment for partial peasant households.
- ③ Undertaking the construction of livelihood projects in 2017 to improve people's living environment and facilitate their travelling.
- ④ Doing a good job in financial poverty alleviation by taking advantages of our supporting units. Instilling advanced financial ideas into local cadres and masses' minds to improve capital exploiting efficiency.

##### (2) Actively promoting "One Company, One County" ("一司一縣") Assistance in Pair

- ① Continuing with industrial and financing poverty alleviation, providing full support for enterprises in counties which are given assistance by twining poverty alleviation programs to enter the capital market.
- ② Strengthening financial knowledge training to cultivate professional financial talents for local areas and to provide a powerful human resources support for local economic development.
- ③ Exploring new patterns for consumption poverty alleviation: making agricultural byproducts with Jinzhai County's local characteristics meet market demands to promote local economic development and increase peasants' income.
- ④ Improving poverty alleviation pattern: further integrating the Company's party construction with "One Company, One County" ("一司一縣") assistance in pair to build a platform for party organizations of the Company to participate in commonwealth undertakings to help the distressed.

### XIII. CONVERTIBLE CORPORATE BONDS

The Company did not issue any convertible corporate bonds during the Reporting Period.

## XIV. CORPORATE GOVERNANCE

As a public company listed in Mainland China and Hong Kong, the Company has standardized its operation in strict compliance with requirements of relevant laws, regulations and normative documents in the places where the shares of the Company is listed. The Company is committed to continuously maintaining and improving the company image in the market. During the Reporting Period, the Company was in strict compliance with the requirements of the Company Law (《公司法》), the Securities Law (《證券法》), the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), the Rules for Governance of Securities Companies (《證券公司治理準則》), the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Corporate Governance Code (《企業管治守則》) set out in Appendix 14 to the Hong Kong Listing Rules (《香港上市規則》), the Corporate Governance Report (《企業管理報告》) and other relevant laws and regulations as well as the Articles of Association of the Company. In order to establish a modern corporate system, the Company has strengthened and refined its corporate governance structure, compliance and risk control system and internal control management system. A corporate governance structure with checks and balances has been formed which features the separation among the shareholders' general meeting, the Board, the Board of Supervisors and operation management. Under such structure, they perform their respective functions at various levels and are held accountable within respective responsibilities and authorization, ensuring the prudent and standardized operation of the Company.

### (I) Corporate Governance Policies and the Board's Responsibilities on Corporate Governance

The Company followed all the principles in the Corporate Governance Code (《企業管治守則》) and the Corporate Governance Report (《企業管治報告》) as set out in the Hong Kong Listing Rules (《香港上市規則》) to be its own corporate governance policies and has been in strict compliance with the Listing Rules. In respect of the corporate governance function, the terms of reference of the Board shall at least include:

- (1) to formulate and review the corporate governance policies and practices of the Company;
- (2) to review and monitor the training and continuous professional development of the Directors and the senior management;
- (3) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
- (4) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to monitor employees and Directors;
- (5) to review the Company's compliance with the Corporate Governance Code (《企業管治守則》) and disclosure in the Corporate Governance Report (《企業管治報告》).

## (II) Compliance with the Provisions under the Corporate Governance Code Set out in Appendix 14 to the Hong Kong Listing Rules

During the Reporting Period, the Company convened 1 shareholders' general meeting, 6 Board meetings, 2 meetings of the Board of Supervisors, 4 meetings of the Audit Committee, 3 meetings of the Compliance and Risk Management Committee, 2 meetings of the Development Strategy Committee, 1 meeting of the Remuneration and Appraisal Committee, and 2 meetings of Nomination Committee. The total number of meetings convened is 21. The convening and holding and voting procedures of the general meeting, Board meetings and the meetings of the Board of Supervisors were legally valid. During the Reporting Period, by continuously enhancing investor relationship management and information disclosure, the Company possessed a standardized and professional investor relationship management, disclosed truthful and accurate information in a complete, timely and fair manner and continuously improved its transparency.

On 21 December 2016, in the first meeting of the fourth session of the Board, the Company elected Mr. Zhou Yi as the chairman of the fourth session of the Board and continued to appoint Mr. Zhou Yi as the president of the Company. According to provisions of A.2.1 of Corporate Governance Code (《企業管治守則》), the roles of the chairman and chief executive shall be different and shall not be assumed by the same person at the same time. Given the fact that Mr. Zhou Yi has been supervising daily operation and management of the Company, formulating strategies of the Company and its business, nominating and determining senior management of the Company since he joined the Group in August 2006, the Board believes that Mr. Zhou Yi simultaneously assuming the duty of effective management and business development is in the best interest of the Company. As a result, the Board thinks that the Company's arrangement is appropriate even in the circumstance inconsistent with the provisions of A.2.1 of Corporate Governance Code (《企業管治守則》). Despite the above situations, the Board thinks that this management structure of the company is effective and has enough checks and balances.

The Company has been striving for the continuous improvement of corporate governance and system establishment. The Company has strengthened its corporate governance with gradual standardization of corporate governance structure. There is no deviation of the actual performance of its corporate governance from the Company Law (《公司法》) and relevant requirements of the CSRC. Meanwhile, save as disclosed above, during the Reporting Period, the Company was in full compliance with all the codes and provisions of the Corporate Governance Code (《企業管治守則》) as well as the Corporate Governance Report (《企業管治報告》) during the Reporting Period. It also complies with substantially all of recommended best practices set out in the Corporate Governance Code (《企業管治守則》).

## (III) Securities Transactions by Directors, Supervisors and Employees

During the Reporting Period, the Company has adopted the Model Code as the code of conduct for securities transactions by Directors, Supervisors and relevant employees of the Company. According to the domestic regulatory requirements, the Company convened the 13th meeting of the third session of the Board on November 25, 2014 to consider and approve the Administrative System Regarding the Shares of the Company Held by Directors, Supervisors and Senior Management (the "Administrative System") in order to regulate holding and trading in the shares of the Company by Directors, Supervisors and senior management. On March 6, 2015, in order to meet the relevant regulatory requirements regarding the listing of the H Shares of the Company, the Company made amendments to the Administrative System, which were considered and approved at the 16th meeting of the third session of the Board. The compulsory provisions contained in the Administrative System are stricter than those under the Model Code. Having made all enquiries with Directors, Supervisors and senior management, the Company confirmed that all Directors, Supervisors and senior management had strictly complied with the relevant requirements under the Administrative System and Model Code during the Reporting Period. The Board of the Company will, from time to time, carry out inspection on the corporate governance and operation of the Company, in order to ensure the relevant provisions under the Hong Kong Listing Rules are well observed and to protect the interests of the shareholders. There was no breach of guidelines by the relevant employees to the knowledge of the Company.

#### (IV) Independent Non-executive Directors

The Company has appointed sufficient number of independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise in accordance with the Hong Kong Listing Rules. The Company has appointed five independent non-executive Directors, including Mr. Chen Chuanming, Mr. Liu Hongzhong, Mr. Lee Chi Ming, Mr. Yang Xiongsheng and Ms. Liu Yan.

### XV. AUDIT COMMITTEE AND AUDITING

The Audit Committee was established under the Board in accordance with the requirements of the CSRC, the Shanghai Stock Exchange and the Listing Rules of Hong Kong Stock Exchange. The Audit Committee of the fourth session of Board of the Company is composed of independent directors and directors assigned by shareholders. As of the end of the Reporting Period, the Audit Committee of the Company is composed of three members, namely Mr. Lee Chi Ming, Mr. Chen Ning and Mr. Yang Xiongsheng, more than half of whom are independent directors and Mr. Lee Chi Ming is the chairman (convener) of Audit Committee. The Audit Committee is responsible for the communication, supervision and verification of internal and external audits of the Company and provides professional advice to the Board.

During the Reporting Period, the Audit Committee of the Board of the Company convened four meetings, as detailed below:

1. The first meeting of the Audit Committee of the fourth session of the Board for 2017 was convened by way of face to face and video conference on January 25, 2017, at which KPMG Huazhen LLP (Special General Partnership) introduced their schedule of audit work, focus of annual audit and pre-audit work in 2016.
2. The second meeting of the Audit Committee of the fourth session of the Board for 2017 was convened by way of teleconference on March 7, 2017, which considered and approved the Resolution on the Auditing Plan of the Company for 2016.
3. The third meeting of the Audit Committee of the fourth session of the Board for 2017 was convened in Nanjing on March 29, 2017, at which the Final Account Report of the Company for 2016, the Financial Budget Report of the Company for 2017, the Proposal on the Profit Distribution Plan of the Company for 2016, the Proposal on the Annual Financial Statement of the Company for 2016, the Resolution on the Annual Report of the Company for 2016, the Resolution on the Internal Control Assessment Report of the Company for 2016, the Report on Performance of Duties of Audit Committee under the Board of the Company for 2016, the Proposal on the Reappointment of the Company's Accountant, the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2017, and the Work Plan for the Internal Audit of the Company for 2017 were considered and approved, and the Audit Committee reviewed the important matters involved in the "Key Audit Matters" set out in the annual audit report of the Company for 2016, and received the internal audit report of the Company for 2016.
4. The fourth meeting of the Audit Committee of the fourth session of the Board for 2017 was convened by way of teleconference on April 25, 2017, at which the Proposal on the First Quarterly Financial Statements for 2017 of the Company was considered and approved.

The interim financial report for 2017 of the Company as prepared by the International Financial Report Standards has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements.

On August 10, 2017, the Audit Committee has reviewed and confirmed the interim result announcement of the Group for the six months ended June 30, 2017, the interim report for 2017 and unaudited interim financial statements for the six months ended June 30, 2017 prepared according to the requirements of IAS 34 "Interim Financial Reporting".



## XVI. DETAILS OF OTHER MAJOR EVENTS

### 1. Establishment, relocation and cancellation of securities branches and branches during the Reporting Period

(1) The Company did not establish any new branches or relocate any branches during the Reporting Period.

(2) Relocation of securities branches during the Reporting Period:

No.	Name of Securities Branch before Relocation	Name of Securities Branch after Relocation	Address after Relocation	Issue Date of License
1	Securities Branch in Shangda Road, Shaoxing	Securities Branch in Fushan, Shaoxing	Rooms 101, 102, No. 213; Rooms 101, 102, No. 215; Rooms 233, 234, 236-241, No. 217 Huancheng Road West, Shaoxing City	January 10, 2017
2	Securities Branch in Shengli Road, Dalian	Securities Branch in Lianhe Road, Dalian	No. 4 Meidu Garden, Shahekou District, Dalian City, Liaoning Province	January 12, 2017
3	Securities Branch in Zhongguan Building, Liuxian Avenue, Shenzhen	The Second Securities Branch in Rongchao Business Centre, Yitian Road, Shenzhen	2/F, Block A, Rongchao Business Centre, No. 6003 Yitian Road, Lianhua Subdistrict, Futian District, Shenzhen City	February 15, 2017
4	Securities Branch in Zhongxin Road, Shajing, Shenzhen	Securities Branch in Ali Cloud Building, Houhai, Shenzhen	Shops 32, 33, 1/F, Tower 4, Ali Center, No. 3329, Keyuan Road South, Nanshan District, Shenzhen City	February 15, 2017
5	Securities Branch in Yezhou Avenue, Jianshi	Securities Branch in Yezhou Avenue, Jianshi	No. 109, Yezhou Avenue, Yezhou Town, Jianshi County	February 20, 2017
6	Securities Branch in Qingnian Road, Wuhan	Securities Branch in Zhujiang Road, CBD, Wuhan	Room 4, 26/F, Block 5, Oceanwide International SOHO Town, Wangjiadun CBD, Jiangnan District, Wuhan City	February 20, 2017
7	Securities Branch in Wanghai Road West, Dongtai	Securities Branch in Middle Jinhai Road, Dongtai	Rooms 07-1, 07-2, 06-2, Block 4, Xinning Xinguang Apartment, No. 3, Middle Jinhai Road, Dongtai City	April 12, 2017
8	Securities Branch in Zhongyang Road, Nanjing	Securities Branch in Pusi Road, Nanjing	No. 8-2, Pusi Road, Nanjing New & High Technology Industry Development Zone, Nanjing City, Jiangsu Province	April 1, 2017
9	Securities Branch in West Avenue, Zhouzhuang, Jiangyin	Securities Branch in West Avenue, Zhouzhuang Town, Jiangyin	No. 318, West Street, Zhouzhuang Town, Jiangyin City	March 20, 2017
10	Securities Branch in Middle Yan'an Road, Guiyang	Securities Branch in Zhonghua Road North, Guiyang	No. 3, Postal Telecommunication Production Building, No. 2 Zhonghua Road North, Yunyan District, Guiyang City, Guizhou Province	May 11, 2017
11	Securities Branch in Huayang Road East, Jurong, Zhenjiang	Securities Branch in Huayang Road North, Jurong, Zhenjiang	No. 8-2, Huayang Road North, Huayang Town, Jurong City, Jiangsu Province	May 3, 2017
12	Securities Branch in Guyang Avenue, Dantu	Securities Branch in Guyang Avenue, Dantu	Rooms 101-102, Block 56, Sandiego, Dantu District, Zhenjiang City	June 23, 2017
13	Securities Branch in Zhenzhu Road South, Lishui	Securities Branch in Zhenzhu Road South, Lishui	Room 6, Block 109, Guangcheng Oriental Great Town, No. 99, Zhenzhu Road South, Yongyang Town, Lishui District, Nanjing City	June 19, 2017

2. On January 10, 2017, the Board of the Company received the written resignation notice by Vice President Mr. Zhang Tao. Mr. Zhang Tao submitted his resignation as vice president of the Company and chairman of Huatai Futures due to personal work changes. The resignation takes effect as from the date of submission. On May 5, 2017, Mr. Wu Zufang was elected as chairman of Huatai Futures.
3. During the Reporting Period, the Company incorporated Huatai International Financial Holdings Company Limited (華泰國際金融控股有限公司) in Hong Kong, with a registered capital of HK\$2.
4. During the Reporting Period, the capital injection made by the Company into Huatai Futures is RMB0.36 billion. After capital increase, the registered capital of Huatai Futures changed from RMB1.009 billion to RMB1.609 billion.
5. In June 2017, the chairman of Huatai Innovative Investment was changed from Jiang Yu to Wang Lei.
6. For other major events disclosed by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) during the Reporting Period, please refer to appendix Information Disclosure Index.
7. The Company's reception of investigations and surveys, communications and interviews during the Reporting Period.

The investor relations management is one of the Company's most important tasks on the normative development and operation in compliance of the Company and is highly valued by the Board of the Company. The Company planned, arranged or organized various investor relations activities with a strong sense of responsibility, including coordinating the reception of visitors, keeping in contact with regulatory authorities, investors, intermediary agencies and news media and so on.

During the Reporting Period, the Company maintained the "Investor Relations" column on the Company's website, and answered the questions from the investors on the interactive E-platform on the website of the Shanghai Stock Exchange. The Company had received 20 times of investigations and surveys or telephone interviews from approximately 163 researchers and investors who came from various institutions such as securities companies and funds companies at home and abroad during the first half. The Company had also carried out daily consultation work seriously for investors and answered their questions in details. Meanwhile, in order to assist the issuance of the periodic reports, the Company had held 1 results presentations and 1 analyst teleconference for its results, proactively attended strategy seminars and investment forums held by domestic or foreign securities institutions, and maintained full communications with investors on issues such as the development trend of the industry, operational results of the Company as well as its business development strategy, which effectively promoted the understanding of the investors on the business condition of the Company, completely marketed the development advantages of the Company, and guided market expectations effectively. The Company persists in inducing and analyzing various questions proposed by institutional investors and researchers to improve the professionalism, normalization and the quality of investor relations management of the Company.

The Company's reception of investigations and surveys, communications, and interviews in the first half of 2017:

No.	Date of reception	Place of reception	Way of reception	Guests	Major topics discussed and information provided
1	January 18, 2017	Beijing Branch	Telephone interview	Mizuho (2 persons/times)	
2	January 19, 2017	The headquarters of the Company	Telephone interview	Goldman Sachs (3 persons/times)	
3	January 24, 2017	The headquarters of the Company	Telephone interview	J.P. Morgan (2 persons/times)	
4	January 25, 2017	The headquarters of the Company	On-site interview	The Hongkong and Shanghai Banking Corporation Limited (2 persons/times)	
5	February 7, 2017	Beijing Branch	Telephone interview	Morgan Stanley (1 person/time)	
6	February 24, 2017	Hong Kong Subsidiary	On-site interview	Wellington (1 person/time)	
7	February 27, 2017	The headquarters of the Company	On-site interview	HuaAn Securities (1 person/time)	
8	April 7, 2017	The headquarters of the Company	Telephone interview	Primavera Capital (1 person/time)	
9	April 13, 2017	The headquarters of the Company	On-site interview	Haitong Securities, Pacific Securities, Zhejiang Buttonwood&Right Asset Management (浙江巴沃资管), Beibei Ruifeng Fund Management Co., Ltd. (北倍瑞豐基金管理有限公司), AnBang Asset (安邦資產), Zhongtai Securities, Sunshine Insurance (8 persons/times)	Business development, innovative business and long-term development strategy of the Company
10	April 14, 2017	The headquarters of the Company	On-site interview	Industrial Securities (3 persons/times)	
11	April 14, 2017	The headquarters of the Company	On-site interview	Guotai Junan Securities (5 persons/times)	
12	April 19, 2017	The headquarters of the Company	On-site interview	Tianfeng Securities (1 person/time)	
13	May 3, 2017	The headquarters of the Company	On-site interview	Changjiang Securities (1 person/time)	
14	May 8, 2017	The headquarters of the Company	Telephone interview	Orbis (1 person/time)	
15	May 18, 2017	The headquarters of the Company	On-site interview	GF Securities, China Re Asset, SWS MU (3 persons/times)	
16	May 19, 2017	The headquarters of the Company	On-site interview	Pacific Securities (2 persons/times)	
17	May 31, 2017	The headquarters of the Company	Telephone interview	99 analysts and investors from Goldman Sachs, HSBC, Schroders, etc.	
18	May 31, 2017	Hong Kong Subsidiary	On-site interview	JP Morgan Asset Management, Rays Capital, Point72 Asset Management, New China Life Investment, Pine River (5 persons/times)	
19	June 1, 2017	Beijing Branch	On-site interview	Soochow Securities (14 persons/times)	
20	June 13, 2017	The headquarters of the Company	On-site interview	Essence Securities (8 persons/times)	
21	From January 1, 2017 to June 30, 2017	The headquarters of the Company	Telephone communication	Institutional investors and individual investors	Operation of the Company and industry situation





# 3

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## Corporate Governance

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# Changes in Share Capital and Shareholders

## I. CHANGES IN ORDINARY SHARE CAPITAL

### (I) Statement of changes in ordinary shares

As of the end of the Reporting Period, the Company had a total share capital of 7,162,768,800 Shares, including 5,443,723,120 A Shares (representing 76% of the total share capital) and 1,719,045,680 H Shares (representing 24% of the total share capital). During the Reporting Period, there was no change in the total number of shares and share capital structure of the Company.

### (II) Changes in shares subject to selling restrictions

Shares of the Company all belong to outstanding shares with no shares subject to selling restrictions.

## II. INFORMATION ON SHAREHOLDERS

### (I) Total number of shareholders:

Total number of ordinary shareholders as at the end of the Reporting Period	155,726
Total number of shareholders of preferential shares whose voting rights have been restored as at the end of the Reporting Period	-

Among the total number of ordinary shareholders as at the end of the Reporting Period, there were 146,173 A Shareholders, and 9,553 registered H Shareholders.

## (II) Shareholding of top ten shareholders and top ten holders of tradable shares (or holders of shares not subject to selling restrictions) as at the end of the Reporting Period

Unit: Shares

Shareholding of top ten shareholders							
Name of shareholder (in full name)	Increase/ decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of share held subject to selling restrictions	Pledged or frozen shares		Class of shareholder
					Status of shares	Number of shares	
HKSCC Nominees Limited	( 657,400 )	1,714,465,948	23.9358	-	Nil	-	Foreign legal person
Jiangsu Guoxin Investment Group Limited	-	1,250,928,425	17.4643	-	Nil	-	State-owned legal person
Jiangsu Communications Holding Company Limited	3,718,200	444,350,418	6.2036	-	Nil	-	State-owned legal person
China Securities Finance Corporation Limited	178,982,418	346,988,216	4.8443	-	Nil	-	Unknown
Govtor Capital Group Co., Ltd.	-	342,028,006	4.7751	-	Nil	-	State-owned legal person
Jiangsu High Hope International Group Co., Ltd.	( 3,450,000 )	199,994,947	2.7921	-	Nil	-	State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	( 13,487,698 )	195,719,019	2.7324	-	Nil	-	State-owned legal person
Jiangsu Hiteker Co., Ltd.	-	132,471,849	1.8495	-	Unknown	123,169,146	Domestic non- state-owned legal person
Central Huijin Asset Management Co., Ltd.	-	98,222,400	1.3713	-	Nil	-	Unknown
Jiangsu SOHO International Group Corporation	-	86,880,000	1.2129	-	Nil	-	State-owned legal person

Shareholding of top ten holders of shares not subject to selling restrictions			
Name of shareholder	Number of tradable shares not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	1,714,465,948	Overseas listed foreign shares	1,714,465,948
Jiangsu Guoxin Investment Group Limited	1,250,928,425	Ordinary shares in RMB	1,250,928,425
Jiangsu Communications Holding Company Limited	444,350,418	Ordinary shares in RMB	444,350,418
China Securities Finance Co., Ltd.	346,988,216	Ordinary shares in RMB	346,988,216
Govtor Capital Group Co., Ltd.	342,028,006	Ordinary shares in RMB	342,028,006
Jiangsu High Hope International Group Co., Ltd.	199,994,947	Ordinary shares in RMB	199,994,947
Jiangsu SOHO Holdings Group Co., Ltd.	195,719,019	Ordinary shares in RMB	195,719,019
Jiangsu Hiteker Co., Ltd.	132,471,849	Ordinary shares in RMB	132,471,849
Central Huijin Asset Management Co., Ltd.	98,222,400	Ordinary shares in RMB	98,222,400
Jiangsu SOHO International Group Corporation	86,880,000	Ordinary shares in RMB	86,880,000

Description of the related relationships or actions in concert between the above shareholders

Jiangsu Guoxin, Communications Holding, Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd. and Jiangsu Suhui Assets Management Co., Ltd. (the holding company of Jiangsu High Hope International Group Co., Ltd., with 67.41% shareholding) are wholly-owned by Jiangsu SASAC. Jiangsu SOHO Holdings Group Co., Ltd. is a controlling shareholder of Jiangsu SOHO International Group Corporation and holds 492,419,237 state-owned legal person shares, representing 71.58% of the total share capital of Jiangsu SOHO International Group Corporation and constituting parent-subsidiary relationship. Apart from the above, the Company is not aware of any relationship between other shareholders of the Company or whether such shareholders are parties acting in concert specified in the Regulations on the Takeover of Listed Companies.

Explanation of holders of preferential shares with restored voting rights and number of shares held

The Company has no shareholders of preferential shares

### (III) Strategic investors or common legal persons who became one of the top ten shareholders as a result of subscription of new shares allotted to them

During the Reporting Period, the Company did not have any strategic investor or common legal person who became one of the top ten shareholders as a result of subscription of new shares allotted to them.

## III. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLERS

During the Reporting Period, there was no change in controlling shareholders or de facto controllers of the Company.

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

As of June 30, 2017, as far as the Directors are aware after having made all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company) held interests or short positions in shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

No.	Name of substantial shareholder	Class of share	Nature of interest	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued A Shares/ H Shares of the Company (%)	Long position (Note 2)/ short position (Note 3)/ shares available for lending
1	Jiangsu Guoxin Investment Group Limited	A Shares	Beneficial owner (Note 1)	1,250,928,425	17.46	22.98	Long position
2	Jiangsu Communications Holding Company Limited	A Shares	Beneficial owner (Note 1)	444,350,418	6.20	8.16	Long position
3	Govtor Capital Group Co., Ltd.	A Shares	Beneficial owner (Note 1)	342,028,006	4.78	6.28	Long position



No.	Name of substantial shareholder	Class of share	Nature of interest	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued A Shares/ H Shares of the Company (%)	Long position (Note 2)/ short position (Note 3)/ shares available for lending
4	Jiangsu SOHO Holdings Group Co., Ltd.	A Shares	Beneficial owner (Note 1)	195,719,019	2.73	3.60	Long position
		A Shares	Interest held by a controlled corporation (Note 1)	86,880,000	1.21	1.60	Long position
5	NSSF	H Shares	Beneficial owner (Note 1)	142,346,200	1.99	8.28	Long position
		H Shares	Interest held by a controlled corporation (Note 1)	88,943,350	1.24	5.17	Long position
6	BlackRock, Inc.	H Shares	Interest held by a controlled corporation (Note 1)	2,126,200	0.03	0.12	Short position

Note 1: According to the information disclosed on the websites of Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and China Securities Depository and Clearing Co., Ltd ([www.chinaclear.cn](http://www.chinaclear.cn)), as of June 30, 2017, Jiangsu Guoxin held 1,250,928,425 A Shares, Communications Holding held 444,350,418 A Shares, Govtor Capital Group Co., Ltd. held 342,028,006 A Shares, Jiangsu SOHO Holdings Group Co., Ltd. held 195,719,019 A Shares and NSSF held 142,346,200 H Shares. Under Section 336 of the SFO, forms disclosing interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the shareholding information as reported to the Hong Kong Stock Exchange;

Note 2: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to take the underlying shares; (ii) such shareholder is under an obligation to take the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares increases;

Note 3: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to take the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares declines;

Note 4: Jiangsu SOHO Holdings Group Co., Ltd. holds 71.58% of the equity interest of Jiangsu SOHO International Group Corporation, and therefore is deemed to be interested in 86,880,000 shares in which Jiangsu SOHO International Group Corporation is interested.

Save as disclosed above, the Company is 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 as at June 30, 2017 which shall be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register pursuant to Section 336 of the SFO.

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

As of June 30, 2017, according to the information obtained by the Company and so far as the Directors are aware, interests and short positions (including interests or short positions which had been taken or deemed to have under such provisions of SFO) held by Directors, Supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which had been taken or deemed to have under such provisions of SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange:

No.	Name	Class of share	Nature of interest	Number of shares held (share)	Percentage of the total issued shares of the Company (%)	Percentage of the total issued A Shares/ H Shares of the Company (%)	Long position/ short position/ shares available for lending
1	Zhou Yi	H Shares	Beneficiary of the trust (Note 1)	353,261	0.005	0.021	Long position

Note 1: In July 2015, due to the significant fluctuation in share price of the Company, H Shares of the Company were purchased through the targeted asset management scheme for Qualified Domestic Institutional Investor ("QDII") in compliance with the relevant laws and regulations so as to actively help to maintain the stability of the capital market.

Save as disclosed above, as at June 30, 2017, the Company was not aware of any other Directors, Supervisors and the chief executive of the Company having any interests or short positions (including interests or short positions which had been taken or deemed to have under such provisions of SFO) in the shares or underlying shares or debentures of the Company or its associated corporations, which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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

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

## VII. PREFERENTIAL SHARES

During the Reporting Period, the Company did not have any matter relating to preferential shares.



Huatai Securities

## Directors, Supervisors, Senior Management and Staff >

### I. CHANGES IN SHAREHOLDING STRUCTURE

#### (I) Changes in shareholding structure of current and retired Directors, Supervisors and senior management during the Reporting Period

There were no changes in the shareholding of current and retired Directors, Supervisors and senior management during the Reporting Period.

#### (II) Share incentives granted to Directors, Supervisors and senior management during the Reporting Period

During the Reporting Period, the Company did not implement any share incentive granted to Directors, Supervisors and senior management.

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The changes in Directors, Supervisors and senior management during the Reporting Period were as follows:

Name	Position	Nature of the change
Sun Hongning	Non-executive Director	Resignation
Xu Feng	Non-executive Director	Election
Wang Chong	Chief Risk Officer	Appointment
Zhang Hui	Secretary to the Board of Directors, Joint Company Secretary and Authorized Representative	Appointment
Zhang Tao	Vice President	Resignation
Zhang Haibo	Vice President	Resignation

The changes in Directors, Supervisors and senior management of the Company:

- (1) On June 21, 2017, Mr. Sun Hongning submitted resignation as non-executive Director of the Board and member of various special committees under the Board of the Company due to work arrangement; the 2016 shareholders' annual general meeting of the Company convened that day considered and approved the Resolution on Election of Mr. Xu Feng as a non-executive Director of the Fourth Session of the Board, and elected Mr. Xu Feng as a non-executive Director of the Fourth Session of the Board. As Mr. Xu Feng has obtained the qualification to serve as Director of the securities company as approved by securities regulatory authority, Mr. Xu Feng succeeded Mr. Sun Hongning to perform the duties as a non-executive Director in the fourth session of the Board with immediate effect and he shall hold the office till the end of this session of the Board.
- (2) On June 26, 2017, members of Nomination Committee were changed to: Mr. Chen Chuanming, Mr. Xu Feng and Ms. Liu Yan. Mr. Chen Chuanming is the chairman (convener) of Nomination Committee. On June 26, 2017, members of Remuneration and Appraisal Committee were changed to: Mr. Chen Chuanming, Mr. Xu Feng and Ms. Liu Yan. Mr. Chen Chuanming is the chairman (convener) of Remuneration and Appraisal Committee.
- (3) On December 21, 2016, according to the nomination of Mr. Zhou Yi, president of the Company, the first meeting of the fourth session of the Board of the Company considered and approved the appointment of Wang Chong as Chief Risk Officer of the Company, and Mr. Wang Chong shall officially hold the office of Chief Risk Officer after applying for and obtaining the qualification to serve as manager-level senior management of the securities company. On March 16, 2017, the Company received from Jiangsu Securities Regulatory Bureau the Approval for the Qualification of Wang Chong as Manager-Level Senior Management of the Securities Company (Su Zheng Jian Xu Ke Zi [2017] No. 14) (《關於核准王翀證券公司經理層高級管理人員任職資格的批覆》(蘇證監許可字 [2017]14 號)). Mr. Wang Chong shall begin to perform his duties as a Chief Risk Officer with immediate effect and hold the office till the end of this session of the Board.

- (4) Mr. Jiang Jian, vice president of the Company, resigned as secretary to the Board of Directors, joint company secretary and authorized representative of the Company due to work adjustment. On April 26, 2017, according to the nomination of Mr. Zhou Yi, president of the Company, the fifth meeting of the fourth session of the Board approved the appointment of Mr. Zhang Hui as secretary to the Board of Directors, joint company secretary and authorized representative of the Company, and he shall hold the office till the end of this session of the Board.
- (5) On January 10, 2017, Mr. Zhang Tao, vice president of the Company resigned due to change of work assignment.
- (6) On May 19, 2017, Mr. Zhang Haibo, vice president of the Company resigned due to change of work assignment.

### III. OTHER INFORMATION

#### (I) Service contract of Directors and Supervisors

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of (among other things) compliance of relevant laws and regulations and observance of the Articles of Association and provisions on arbitration. Save as disclosed above, none of the Directors or Supervisors has entered into or is proposed to enter into any service contracts with the Company in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

#### (II) Employees and remuneration policy

##### 1. Remuneration Policy

The Company attaches importance to the fairness of remuneration incentive in terms of both internal and external comparison and implements a remuneration distribution system based on market standards and weighted by the result of performance evaluation. The Company constantly refines the incentive mode and improves the management level of marketization, and promotes the business transformation of the Company. Staff remuneration of the Company consists of fixed salary, performance bonus and employee benefit.

Pursuant to relevant laws and regulations, the Company continues to improve welfare protection system. The Company makes full payments to various social insurances (pension insurance, medical insurance, unemployment insurance, job-related injury insurance and maternity insurance) and housing provident funds according to laws. In order to improve employees' medical insurance level, the Company pays supplementary commercial medical insurance and accident insurance on the basis of the basic medical insurance, providing staff with supplementary medical care at the Company's cost. Meanwhile, the Company is actively facilitating the building of corporate annuity scheme.

## 2. Training Programs

In line with the development trend of industry innovation and transformation, the Company continued to center its training on the aspects including business innovation, induction education, management capability and cultivation of internal trainers, propelled the training work with a combination of centralized trainings and external trainings as well as on-site trainings and internet trainings; its annual training plan is implemented smoothly. In the first half of 2017, the Company completed 21 centralized trainings and 59 off-site trainings, with approximately 2,291 participants on site and over 1,500 participants by the way of remote video or internet trainings. As of the end of June, learning of 18.4 hours per person has been completed in internet training school. The Company was committed to broadening employees' global vision by introducing overseas advanced courses and organizing series trainings of overseas through train. Based on the transformation strategy of comprehensive wealth management, the Company carried out special promotion projects for all investment advisors. In order to adapt to the innovation trend of the industry, the Company organized the Huatai Forum through the internet school and remote videos. The Company also established an internal regular training mechanism for every department, and organized every department to formulate and implement its own annual training curriculum.

## 3. Number of Employees of the Group and its Subsidiaries

As of June 30, 2017, there were 7,034 employees in the Group, of which 5,271 were from the parent company and 1,763 were from the subsidiaries.

Huatai Securities

## Corporate Bonds >

### I. BASIC INFORMATION ON CORPORATE BONDS

Unit: RMB in 100 million Currency: RMB

Name	Abbreviation	Code	Issue date	Expiration date	Balance	Interest Rate (%)	Principal and interest payment method	Place for trading
2013 Corporate Bonds of Huatai Securities (Five-year bonds)	13 Huatai 01	122261.SH	2013.6.5	2018.6.5	40.00	4.68	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2013 Corporate Bonds of Huatai Securities (Ten-year bonds)	13 Huatai 02	122262.SH	2013.6.5	2023.6.5	60.00	5.10	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2015 Corporate Bonds of Huatai Securities (First tranche) (Variety I)	15 Huatai G1	122388.SH	2015.6.29	2018.6.29	66.00	4.20	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (First tranche) (Variety I)	16 Huatai G1	136851.SH	2016.12.06	2019.12.06	35.00	3.57	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (First tranche) (Variety II)	16 Huatai G2	136852.SH	2016.12.06	2021.12.06	25.00	3.78	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange



Name	Abbreviation	Code	Issue date	Expiration date	Balance	Interest Rate (%)	Principal and interest payment method	Place for trading
2016 Corporate Bonds of Huatai Securities (Second tranche) (Variety I)	16 Huatai G3	136873.SH	2016.12.14	2019.12.14	50.00	3.79	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (Second tranche) (Variety II)	16 Huatai G4	136874.SH	2016.12.14	2021.12.14	30.00	3.97	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange

### Interest payment for corporate bonds

The Company paid the interest for the period from June 5, 2016 to June 4, 2017 for "13 Huatai 01" and "13 Huatai 02" bonds on June 5, 2017 with a total amount of RMB493.2 million (tax inclusive), and paid the interest for the period from June 29, 2016 to June 28, 2017 for "15 Huatai G1" bond on June 29, 2017 with a total amount of RMB277.2 million (tax inclusive).

### Other information about corporate bonds

Appropriate arrangements for investors of corporate bonds: target investors are those qualified ones who hold A share securities accounts of China Securities Depository and Clearing Corporation Limited, Shanghai Branch and are in compliance with the requirements of Administrative Measures for Issue and Trading of Corporate Bonds and the relevant laws and regulations (excluding purchasers prohibited by laws and regulations). Investors shall not subscribe by illegally making use of others' accounts or fund accounts, or illegally financing or financing for others. Investors subscribing for this tranche of bonds shall observe relevant laws and regulations and the relevant provisions of the China Securities Regulatory Commission and assume corresponding legal responsibilities on their own.

## II. ENTRUSTED MANAGERS OF CORPORATE BONDS AND THEIR CONTACTS AND CONTACTS OF THE CREDIT RATING AGENCY

Entrusted manager of bonds	Name	GF Securities Co., Ltd.
	Office address	Room 4301- 4316, 43rd Floor, Metropolitan Plaza, 183- 187 Tianhe North Road, Tianhe District, Guangzhou, Guangdong Province
	Contact persons	Zuo Yaxiu, Chen Guang, Li Qingwei
	Tel. No.	020 – 87558888
Entrusted manager of bonds	Name	Industrial Securities Co., Ltd.
	Office address	Room 1103, Block B, Xincheng Mansion, 5 Finance Avenue, Xicheng District, Beijing
	Contact persons	Meng Xiang
	Tel. No.	010-66553783
Entrusted manager of bonds	Name	Shenwan Hongyuan Securities Co., Ltd.
	Office address	45th Floor, 989 Changle Road, Xuhui District, Shanghai
	Contact persons	Yu Shan, Liu Yuan
	Tel. No.	010-88013931
Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Office address	14th Floor, Huasheng Mansion, 398 Hankou Road, Shanghai

Others:

The entrusted manager of bonds "13 Huatai 01" and "13 Huatai 02" is GF Securities, the entrusted manager of bonds "15 Huatai G1" is Industrial Securities, the entrusted manager of bonds "16 Huatai G1", "16 Huatai G2", "16 Huatai G3" and "16 Huatai G4" is Shenwan Hongyuan Securities, and the credit rating agency for each tranche of bonds is Shanghai Brilliance.

### III. USE OF PROCEEDS FROM CORPORATE BONDS

All the proceeds from 2013 corporate bonds have been used to supplement the Company's working capital and mainly for the purposes of expanding the scale of its margin financing and securities lending, stock repurchase and stock pledged repurchase business. The use of the proceeds is in compliance with the requirements of prospectus. All the proceeds from 2015 corporate bonds have been used to supplement the Company's working capital and for the main purposes of expanding the scale of its margin financing and securities lending, stock repurchase and stock pledged repurchase business and other innovative businesses that meet the regulatory requirements and other purposes in relation to the primary businesses of the Company. The use of the proceeds is in compliance with the covenants of prospectus. All the proceeds from the two tranches of corporate bonds issued in 2016 have been used to supplement the Company's working capital and mainly for the purposes of capital-based intermediary businesses such as stock pledge and investment business such as FICC. The above use of proceeds is in compliance with the prospectus.

### IV. BOND RATING OF THE COMPANY

On May 8, 2017, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. updated the credit ratings on the credit status of "13 Huatai 01", "13 Huatai 02", "15 Huatai G1", "16 Huatai G1", "16 Huatai G2", "16 Huatai G3" and "16 Huatai G4" issued corporate bonds of the Company, and issued the Updated Credit Rating Report on the 2013, 2015 and 2016 Corporate Bonds of Huatai Securities Co., Ltd. (No.: Brilliance [2017]100087), which reaffirmed the AAA credit rating for the Company's "13 Huatai 01", "13 Huatai 02", "15 Huatai G1", "16 Huatai G1", "16 Huatai G2", "16 Huatai G3" and "16 Huatai G4" bonds, the AAA entity credit rating for the Company and a stable rating outlook.

For detailed contents of the rating results, please refer to the announcement on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

### V. CREDIT ENHANCEMENT MECHANISM AND SETTLEMENT PLAN FOR AND OTHER RELEVANT INFORMATION ON THE CORPORATE BONDS DURING THE REPORTING PERIOD

The credit enhancement mechanism for the four tranches of corporate bonds of the Company is issued with no security, and the settlement plan is to pay the interest once annually in the duration of the bonds and to pay the principal together with the last instalment of interest. During the Reporting Period, there was no change to the credit enhancement mechanism, settlement plan and other settlement safeguards for the corporate bonds, and the Company strictly performed the covenants set out in the prospectus in relation to the settlement plan, paid interests for the corporate bonds on time, and disclosed relevant information on the Company in a timely manner, to protect the legal interests of the investors.

## VI. MEETINGS OF THE HOLDERS OF CORPORATE BONDS

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

## VII. PERFORMANCE OF THE DUTIES BY THE ENTRUSTED MANAGERS OF CORPORATE BONDS

During the Reporting Period, GF Securities Co., Ltd., as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (Year 2016). For details, please refer to the relevant announcement published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily by the Company, which was disclosed on the same date on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the Reporting Period, Industrial Securities Co., Ltd., as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2015 Corporate Bonds (1st tranche) of Huatai Securities Co., Ltd. (Year 2016). For details, please refer to the relevant announcement published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily by the Company, which was disclosed on the same date on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

During the Reporting Period, Shenwan Hongyuan Securities Co., Ltd., as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2016 Corporate Bonds (1st tranche) of Huatai Securities Co., Ltd. (Year 2016) and the Report on the Entrusted Affairs in Relation to the 2016 Corporate Bonds (2nd tranche) of Huatai Securities Co., Ltd. (Year 2016). For details, please refer to the relevant announcement published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily by the Company, which was disclosed on the same date on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

## VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND THE END OF THE PREVIOUS YEAR (OR THIS REPORTING PERIOD AND CORRESPONDING PERIOD IN THE PREVIOUS YEAR)

Primary indicators	As at the end of the Reporting Period	As at the end of the previous year	Change (%)	Reason for the change
Current ratio	1.74	1.72	1.16	-
Quick ratio	1.74	1.72	1.16	-
Gearing ratio (%)	70.60	72.25	decreased by 1.65 percentage points	-
Loan repayment ratio (%)	100	100	-	-

Primary indicators	The Reporting Period	Corresponding period in the previous year	Change (%)	Reason for the change
Time interest earned of EBITDA	2.68	2.82	(4.96)	-
Interest payment ratio (%)	100	100	-	-

Note: Clients' funds have not been considered for the indicators above.

## IX. INTEREST PAYMENT FOR OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Unit: RMB in 100 million Currency: RMB

Abbreviation of the bonds	Issue size	Closing balance	Coupon rate (%)	Issue date	Maturity date	Redemption and interest payment
15 Huatai 01	60.00	-	5.90	2015-1-22	2017-1-23	Redemption and interest payment
15 Huatai 03	50.00	50.00	5.80	2015-4-20	2020-4-21	Interest payment
15 Huatai 04	180.00	-	5.50	2015-6-25	2017-6-26	Redemption and interest payment
16 Huatai C1	50.00	50.00	3.30	2016-10-14	2021-10-14	-
16 Huatai C2	30.00	30.00	3.12	2016-10-21	2019-10-21	-
17 Huatai 01	60.00	60.00	4.50	2017-2-24	2018-8-24	-
17 Huatai 02	20.00	20.00	4.65	2017-2-24	2020-2-24	-
17 Huatai 03	40.00	40.00	5.00	2017-5-15	2019-5-15	-
17 Huatai 04	60.00	60.00	5.25	2017-5-15	2020-5-15	-
16 Huataiqi	6.00	6.00	3.94	2016-7-18	2017-7-18	Redemption and interest payment after the Reporting Period
Offshore bonds	0.4 billion U.S. dollars	0.4 billion U.S. dollars	3.625	2014-10-8	2019-10-8	Interest payment

Notes: 1. "15 Huatai 03" bonds rendered the issuer an option for redemption at the end of the third year.  
2. "16 Huatai C1" bonds rendered the issuer an option for redemption at the end of the third year.  
3. "16 Huatai C2" bonds rendered the issuer an option for redemption at the end of the second year.

During the Reporting Period, the Company settled the principal and interest of 15 Huatai 01 (123265), the first tranche of subordinated bonds privately placed by the Company in 2015. The total amount of such payment was RMB6,354,000,000.00 (tax inclusive). The Company also settled the interest of 15 Huatai 03 (123100), the subordinated bonds privately placed by the Company in 2015, for the period from April 21, 2016 to April 20, 2017. The total amount of such interest payment was RMB290,000,000.00 (tax inclusive). The Company settled the principal and interest of 15 Huatai 04 (125978), the subordinated bonds privately placed by the Company in 2015. The total amount of such payment was RMB18,990,000,000.00 (tax inclusive). For details, please refer to the announcements published on China Securities Journal, the Shanghai Securities News, Securities Times, Securities Daily, the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)).

According to the Prospectus of Non-Public Issuance of 2016 Subordinated Bonds to Qualified Investors by Huatai Futures Co., Ltd., the terms of the redemption option for the issuer of "16 Huataiqi" subordinated bonds and the resolution of the fifth board meeting of Huatai Futures in 2017 and the resolution of the fifth general meeting of Huatai Futures in 2017, Huatai Futures decided to exercise the redemption option for the issuer of "16 Huataiqi" subordinated bonds to fully redeemed the "16 Huataiqi" subordinated bonds which were registered at the Register of Members on the redemption registration date on July 18, 2017. The amount of redemption was RMB600 million with the interest being RMB23.64 million.

Huatai International Finance I Limited, a special-purpose company subordinated to the Company's wholly-owned subsidiary, Huatai Financial Holdings (Hong Kong), paid USD7.25 million as the interests for offshore bonds on April 8, 2017.

## **X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, the Company continued to enhance credit management, and as of the end of June 2017, the total credit line obtained by the Company from commercial banks was RMB383.6 billion, which effectively supported the development of all the businesses of the Company.

The Company enjoys a good reputation, and repaid bank loans on time during the Reporting Period without extension or reduction of any loan.

## **XI. PERFORMANCE OF RELEVANT COVENANTS OR UNDERTAKINGS IN THE PROSPECTUS FOR CORPORATE BONDS BY THE COMPANY DURING THE REPORTING PERIOD**

During the Reporting Period, the Company strictly performed the relevant covenants or undertakings in the prospectus for corporate bonds, and the usage of the proceeds was in line with the covenants in the prospectus. The Company strictly performed its obligations for information disclosure, and paid the interests for the bonds on time to protect the legal interests of the investors. During the Reporting Period, the Company did not default on the redemption and interest payment of issued bonds, and operated stably with satisfactory earnings and no risk of it failing to make payments on time in the future.

## **XII. MAJOR EVENTS OF THE COMPANY AND THEIR IMPACT ON THE OPERATION AND SOLVENCY OF THE COMPANY**

During the Reporting Period, the Company did not experience any major event (as specified in Article 45 of Administrative Measures for Issue and Trading of Corporate Bonds) which would have an impact on the Company's operation and solvency.





# 4

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# Report on review of interim financial report



## To the board of directors of Huatai Securities Co., Ltd.

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

### Introduction

We have reviewed the accompanying interim financial report set out on page 120 to 210, which comprises the consolidated statements of financial position of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2017 and the related consolidated income statements, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements 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 an interim financial report 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 are responsible for the preparation and presentation of interim financial report in accordance with IAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

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



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34.

### **KPMG**

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

11 August 2017

## Unaudited consolidated income statements For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
<b>Revenue</b>			
Fee and commission income	5	5,712,822	5,381,541
Interest income	6	4,429,961	4,482,460
Net investment gains	7	2,177,187	1,584,705
<b>Total revenue</b>		12,319,970	11,448,706
Other income and gains	8	100,145	132,594
<b>Total revenue and other income</b>		12,420,115	11,581,300
Fee and commission expenses	9	(1,811,768)	(1,403,748)
Interest expenses	10	(2,708,184)	(2,934,619)
Staff costs	11	(2,853,532)	(2,367,637)
Depreciation and amortisation expenses	12	(279,944)	(187,681)
Tax and surcharges	13	(67,567)	(343,744)
Other operating expenses	14	(935,603)	(656,758)
(Provision for)/ reversal of impairment losses	15	(5,945)	5,265
<b>Total expenses</b>		(8,662,543)	(7,888,922)
<b>Operating profit</b>		3,757,572	3,692,378
Share of profit of associates and joint venture		229,291	185,634
<b>Profit before income tax</b>		3,986,863	3,878,012
Income tax expense	16	(932,296)	(934,459)
<b>Profit for the period</b>		3,054,567	2,943,553
Attributable to:			
Shareholders of the Company		2,993,250	2,841,253
Non-controlling interests		61,317	102,300
		3,054,567	2,943,553
Basic and diluted earnings per share (in Renminbi per share)	17	0.42	0.40

Details of dividends payable to equity shareholders of the Company are set out in Note 46.

## Unaudited consolidated statements of profit or loss and other comprehensive income For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
<b>Profit for the period</b>		3,054,567	2,943,553
<b>Other comprehensive income for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Net changes in fair value		1,466,342	(1,650,569)
- Reclassified to profit or loss		(933,062)	(14,537)
Share of other comprehensive income of associates and joint venture		16,602	(6,670)
Exchange differences on translation of financial statements in foreign currencies		(189,904)	20,321
Income tax impact		(151,153)	409,458
<b>Total other comprehensive income for the period, net of tax</b>		<u>208,825</u>	<u>(1,241,997)</u>
<b>Total comprehensive income for the period</b>		<u>3,263,392</u>	<u>1,701,556</u>
Attributable to:			
Shareholders of the Company		3,219,537	1,598,522
Non-controlling interests		43,855	103,034
<b>Total</b>		<u>3,263,392</u>	<u>1,701,556</u>

## Unaudited consolidated statements of financial position As at 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2017	As at 31 December 2016
<b>Non-current assets</b>			
Property and equipment	18	3,791,528	3,567,451
Investment properties		876,882	1,130,268
Goodwill	19	2,043,428	2,091,252
Other intangible assets	20	5,309,168	5,509,024
Interest in associates	21	3,275,005	3,075,521
Interest in joint venture	22	305,611	301,756
Held-to-maturity investments		5,000	5,000
Available-for-sale financial assets	23	31,270,065	31,218,115
Financial assets held under resale agreements		8,299,758	8,930,396
Financial assets at fair value through profit or loss	24	1,493,333	1,294,444
Refundable deposits	25	8,148,886	8,158,628
Deferred tax assets	26	530,114	556,094
Other non-current assets	27	102,149	79,070
<b>Total non-current assets</b>		<b>65,450,927</b>	<b>65,917,019</b>
<b>Current assets</b>			
Accounts receivable	28	962,491	991,413
Other receivables and prepayments	29	5,995,932	5,070,483
Margin accounts receivable	30	51,846,886	56,605,104
Available-for-sale financial assets	23	12,216,210	12,518,447
Financial assets held under resale agreements		38,853,090	37,400,786
Financial assets at fair value through profit or loss	24	87,867,922	81,812,787
Derivative financial assets	31	186,380	106,591
Clearing settlement funds	32	1,202,251	1,228,801
Cash held on behalf of brokerage clients	33	73,692,576	94,568,934
Cash and bank balances	34	30,555,347	45,230,032
<b>Total current assets</b>		<b>303,379,085</b>	<b>335,533,378</b>
<b>Total assets</b>		<b>368,830,012</b>	<b>401,450,397</b>

## Unaudited consolidated statements of financial position (continued)

### As at 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2017	As at 31 December 2016
<b>Current liabilities</b>			
Short-term bank loans	36	457,000	460,255
Short-term debt instruments issued	37	6,922,790	1,621,000
Placements from financial institutions	38	5,500,000	6,650,000
Accounts payable to brokerage clients	39	77,639,580	92,728,837
Employee benefits payable		1,537,232	2,517,090
Other payables and accruals	40	70,423,856	79,671,695
Current tax liabilities		828,317	495,647
Financial assets sold under repurchase agreements		21,424,768	19,463,375
Financial liabilities at fair value through profit or loss	41	9,119,392	2,756,267
Derivative financial liabilities	31	1,116,061	864,011
Long-term bonds due within one year	42	12,094,874	25,900,000
<b>Total current liabilities</b>		<u>207,063,870</u>	<u>233,128,177</u>
<b>Net current assets</b>		<u>96,315,215</u>	<u>102,405,201</u>
<b>Total assets less current liabilities</b>		<u>161,766,142</u>	<u>168,322,220</u>
<b>Non-current liabilities</b>			
Long-term bonds	43	53,694,025	49,947,816
Non-current employee benefits payable		5,138,618	4,988,352
Deferred tax liabilities	26	2,131,254	2,562,144
Financial assets sold under repurchase agreements		1,643,610	-
Financial liabilities at fair value through profit or loss	41	13,556,906	25,163,711
<b>Total non-current liabilities</b>		<u>76,164,413</u>	<u>82,662,023</u>
<b>Net assets</b>		<u>85,601,729</u>	<u>85,660,197</u>

## Unaudited consolidated statements of financial position (continued) As at 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2017	As at 31 December 2016
<b>Equity</b>			
Share capital	44	7,162,769	7,162,769
Reserves	45	61,226,039	60,999,752
Retained profits	46	<u>15,606,802</u>	<u>16,194,936</u>
Total equity attributable to shareholders of the Company		83,995,610	84,357,457
Non-controlling interests		<u>1,606,119</u>	<u>1,302,740</u>
<b>Total equity</b>		<u><u>85,601,729</u></u>	<u><u>85,660,197</u></u>

Approved and authorised for issue by the board of directors on 11 August 2017.

_____ Zhou Yi	_____ Chen Ning
Chairman of the Board, Director and President	Director

## Unaudited consolidated statements of changes in equity For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company							Total	Non-controlling interest	Total equity
	Share capital (Note 44)	Capital reserve (Note 45)	Surplus reserve (Note 45)	Reserves			Retained profits (Note 46)			
				General reserve (Note 45)	Fair value reserve (Note 45)	Translation reserve (Note 45)				
<b>As at 1 January 2017</b>	7,162,769	45,837,763	3,071,195	7,943,619	3,775,704	371,471	16,194,936	84,357,457	1,302,740	85,660,197
Change in equity for the period										
Profit for the period	-	-	-	-	-	-	2,993,250	2,993,250	61,317	3,054,567
Other comprehensive income	-	-	-	-	417,072	(190,785)	-	226,287	(17,462)	208,825
Total comprehensive income	-	-	-	-	417,072	(190,785)	2,993,250	3,219,537	43,855	3,263,392
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	261,144	261,144
Dividends declared for the period	-	-	-	-	-	-	(3,581,384)	(3,581,384)	(1,620)	(3,583,004)
<b>As at 30 June 2017</b>	<u>7,162,769</u>	<u>45,837,763</u>	<u>3,071,195</u>	<u>7,943,619</u>	<u>4,192,776</u>	<u>180,686</u>	<u>15,606,802</u>	<u>83,995,610</u>	<u>1,606,119</u>	<u>85,601,729</u>
<b>As at 1 January 2016</b>	7,162,769	45,837,763	2,607,376	6,681,123	3,237,861	26,010	15,232,023	80,784,925	743,846	81,528,771
Change in equity for the period										
Profit for the period	-	-	-	-	-	-	2,841,253	2,841,253	102,300	2,943,553
Other comprehensive income	-	-	-	-	(1,263,769)	21,038	-	(1,242,731)	734	(1,241,997)
Total comprehensive income	-	-	-	-	(1,263,769)	21,038	2,841,253	1,598,522	103,034	1,701,556
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	88,413	88,413
Dividends declared for the period	-	-	-	-	-	-	(3,581,384)	(3,581,384)	-	(3,581,384)
<b>As at 30 June 2016</b>	<u>7,162,769</u>	<u>45,837,763</u>	<u>2,607,376</u>	<u>6,681,123</u>	<u>1,974,092</u>	<u>47,048</u>	<u>14,491,892</u>	<u>78,802,063</u>	<u>935,293</u>	<u>79,737,356</u>
<b>As at 1 January 2016</b>	7,162,769	45,837,763	2,607,376	6,681,123	3,237,861	26,010	15,232,023	80,784,925	743,846	81,528,771
Change in equity for the year										
Profit for the period	-	-	-	-	-	-	6,270,612	6,270,612	248,876	6,519,488
Other comprehensive income	-	-	-	-	537,843	345,461	-	883,304	182,180	1,065,484
Total comprehensive income	-	-	-	-	537,843	345,461	6,270,612	7,153,916	431,056	7,584,972
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	67,723	67,723
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	60,115	60,115
Appropriation to surplus reserve	-	-	463,819	-	-	-	(463,819)	-	-	-
Appropriation to general reserve	-	-	-	1,262,496	-	-	(1,262,496)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(3,581,384)	(3,581,384)	-	(3,581,384)
<b>As at 31 December 2016</b>	<u>7,162,769</u>	<u>45,837,763</u>	<u>3,071,195</u>	<u>7,943,619</u>	<u>3,775,704</u>	<u>371,471</u>	<u>16,194,936</u>	<u>84,357,457</u>	<u>1,302,740</u>	<u>85,660,197</u>

## Unaudited consolidated cash flow statements For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
<b>Cash flows from operating activities:</b>			
Profit before income tax		3,986,863	3,878,012
Adjustments for:			
Interest expenses		2,708,184	2,934,619
Share of profit of associates and joint venture		(229,291)	(185,634)
Depreciation and amortisation expenses		279,944	187,681
Provision for/(reversal of) impairment losses		5,945	(5,265)
Losses/(gains) on disposal of property and equipment		152	(540)
Foreign exchange losses		14,469	23,437
Net realised (gains)/losses from available-for-sale financial assets		(1,128,075)	456,457
Dividend income and interest income from available-for-sale financial assets and held-to-maturity investments		(267,252)	(209,788)
Unrealised fair value changes in financial instruments through profit or loss		(145,723)	2,106,483
Unrealised fair value changes in derivatives		241,535	(2,352,732)
Operating cash flows before movements in working capital		5,466,751	6,832,730
Decrease/(increase) in refundable deposits		9,743	(1,621,018)
Decrease in margin accounts receivable		4,759,561	15,984,609
Increase in accounts receivable, other receivables and prepayments		(1,075,087)	(2,739,209)
Increase in financial assets held under resale agreements		(3,531,647)	(1,666,107)
(Increase)/decrease in financial instruments at fair value through profit or loss		(11,962,608)	36,335,678
Decrease/(increase) in restricted bank deposits		10,649,977	(12,711,659)
Increase in cash held on behalf of brokerage clients		20,876,358	24,364,455
Decrease in accounts payable to brokerage clients		(15,089,257)	(15,785,442)
Decrease in other payables and accruals		(12,000,957)	(2,639,068)
Decrease in employee benefits payable and other non-current liabilities		(829,592)	(331,472)
Increase/(decrease) in financial assets sold under repurchase agreements		3,605,003	(11,130,584)
Decrease in placements from financial institutions		(1,150,000)	(1,500,000)
Cash (used in)/generated from operations		(271,755)	33,392,913
Income taxes paid		(967,475)	(2,738,866)
Interest paid		(1,012,757)	(1,064,715)
Net cash (used in)/generated from operating activities		(2,251,987)	29,589,332



## Unaudited consolidated cash flow statements (continued) For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
<b>Cash flows from investing activities:</b>			
Proceeds on disposal of property and equipment		634	2,180
Dividends received from associates		192,870	49,000
Dividends and interest received from available-for-sale financial assets and other investments		267,252	209,788
Proceeds from other limited partners' interest in private funds		245,620	5,204,068
Proceeds on disposal of available-for-sale financial assets		2,385,310	-
Purchases of property and equipment, investment properties, other intangible assets and other non-current assets		(303,475)	(214,739)
Increase in investment in associates and joint venture		(150,316)	(116,100)
Purchase of available-for-sale financial assets		-	(3,811,287)
Others		-	(155,604)
Net cash generated from investing activities		<u>2,637,895</u>	<u>1,167,306</u>
<b>Cash flows from financing activities:</b>			
Capital injection from non-controlling shareholders		261,144	88,413
Proceeds from issuance of short-term debt instruments		8,455,800	274,600
Proceeds from issuance of long-term bonds		18,000,000	-
(Repayment of)/proceeds from bank loans		(13,307)	55,845
Repayment of debt securities issued		(31,154,010)	(20,812,463)
Short-term debt instruments interest paid		(26,227)	(84,434)
Long-term bonds interest paid		(2,553,471)	(3,556,207)
Bank loans interest paid		-	(14,645)
Dividends paid		(1,620)	-
Payment for other financing activities		(2,110)	(85,925)
Net cash used in financing activities		<u>(7,033,801)</u>	<u>(24,134,816)</u>
Net (decrease)/increase in cash and cash equivalents		(6,647,893)	6,621,822
Cash and cash equivalents at the beginning of the period		31,651,614	18,595,759
Effect of foreign exchange rate changes		(104,616)	67,077
Cash and cash equivalents at the end of the period	35	<u>24,899,105</u>	<u>25,284,658</u>

## Notes to the unaudited consolidated financial statements For the six months ended 30 June 2017

(Expressed in thousands of Renminbi, unless otherwise stated)

### 1 General information

Huatai Securities Co., Ltd. (the "Company"), formerly known as Jiangsu Securities Company, was approved by the People's Bank of China ("PBOC"), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

The Company publicly issued RMB784,561 thousand ordinary shares (A shares) in February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010.

In June 2015, the Company issued RMB1,562,769 thousand H shares, which were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

As at 30 June 2017, the Company's registered capital was RMB7,162,769 thousand and the Company has a total of 7,162,769 thousand issued shares of RMB1 each.

The Company and its subsidiaries (the "Group") principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business, industrial investment, import and export of commodity, entrepot trade, commodity sales service, hotel operation and other business activities as approved by the China Securities Regulatory Commission ("CSRC").

### 2 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board. It was authorised for issue on 11 August 2017.

The consolidated interim financial report do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial report as at and for the year ended 31 December 2016.

## 2 Basis of preparation (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is issued on 11 August 2017.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Group's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2017.

## 3 Use of judgements and estimates

The preparation of the consolidated interim financial report requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

The significant judgements 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.

### (a) Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level III fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustment. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II: inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level III: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 3 Use of judgements and estimates (Continued)

#### (a) Measurement of fair values (Continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in Note 53—fair value information.

### 4 Significant accounting policies

The accounting policies adopted in the preparation of the consolidated interim financial report are consistent with those followed in the preparation of the Group's annual financial statements prepared in accordance with IFRSs (including IASs) for the year ended 31 December 2016, except for the adoption of the following amendments to standards effective on 1 January 2017:

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12, Annual Improvements to IFRSs 2014-2016 Cycle — various standards

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 5 Fee and commission income

	Six months ended 30 June	
	2017	2016
Income from securities brokerage and advisory business	2,802,169	4,102,493
Income from asset management business	2,044,364	250,684
Income from underwriting and sponsorship business	411,569	624,468
Income from financial advisory business	272,685	251,118
Income from futures brokerage business	138,762	113,938
Other commission income	43,273	38,840
Total	<u>5,712,822</u>	<u>5,381,541</u>

## 6 Interest income

	Six months ended 30 June	
	2017	2016
Interest income from margin financing and securities lending	1,996,856	2,134,595
Interest income from financial institutions	1,421,962	1,604,001
Interest income from securities-backed lending	888,777	706,322
Interest income from other financial assets held under resale agreements	97,967	37,192
Others	24,399	350
Total	<u>4,429,961</u>	<u>4,482,460</u>

## 7 Net investment gains

	Six months ended 30 June	
	2017	2016
Net realised gains/(losses) from disposal of available-for-sale financial assets	1,128,075	(456,457)
Dividend income and interest income from available-for-sale financial assets	267,145	209,676
Net realised losses from disposal of financial instruments at fair value through profit or loss	(940,409)	(1,656,224)
Dividend income and interest income from financial instruments at fair value through profit or loss	1,261,680	1,461,719
Net realised gains from disposal of derivative financial instruments	556,295	1,778,834
Interest income from held-to-maturity investments	107	112
Unrealised fair value changes of financial instruments at fair value through profit or loss	145,723	(2,106,483)
Unrealised fair value changes of derivative financial instruments	(241,535)	2,353,528
Others	106	-
Total	<u>2,177,187</u>	<u>1,584,705</u>

## 8 Other income and gains

	Six months ended 30 June	
	2017	2016
Income from hotel operation	43,210	27,090
Rental income	33,232	35,167
Government grants	13,276	18,587
Gains on disposal of property and equipment	194	969
Income from commodity sales	-	11,328
Foreign exchange losses	(14,469)	(23,437)
Others	24,702	62,890
Total	<u>100,145</u>	<u>132,594</u>

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	2016
Expenses for asset management business	905,057	126,791
Expenses for securities brokerage and advisory business	887,951	1,225,368
Expenses for underwriting and sponsorship business	11,352	25,566
Expenses for futures brokerage business	5,875	8,478
Expenses for financial advisory business	-	15,460
Other commission expenses	1,533	2,085
Total	<u>1,811,768</u>	<u>1,403,748</u>

## 10 Interest expenses

	Six months ended 30 June	
	2017	2016
Interest expenses on long-term bonds	1,744,394	1,818,811
Interest expenses on financial assets sold under repurchase agreements	376,899	610,995
Interest expenses on gold leasing	169,963	169,368
Interest expenses of accounts payable to brokerage clients	162,678	225,002
Interest expenses on placements	138,206	25,046
Interest expenses on short-term debt instruments issued	68,379	13,656
Interest expenses on short-term bank loans	10,052	13,608
Others	37,613	58,133
Total	<u>2,708,184</u>	<u>2,934,619</u>

## 11 Staff costs

	Six months ended 30 June	
	2017	2016
Salaries, bonuses and allowances	2,486,608	2,122,397
Contribution to pension schemes	152,689	86,266
Cash-settled share-based payment expenses	10,595	-
Other social welfare	203,640	158,974
Total	<u>2,853,532</u>	<u>2,367,637</u>

The domestic employees of the Group in the PRC participate in social welfare plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. The contributions to the social security plans are expensed as incurred.

## 12 Depreciation and amortisation expenses

	Six months ended 30 June	
	2017	2016
Depreciation of property and equipment	106,574	96,495
Depreciation of investment properties	15,104	17,498
Amortisation of other intangible assets	140,650	51,963
Amortisation of leasehold improvements and long-term deferred expenses	17,616	21,725
Total	<u>279,944</u>	<u>187,681</u>

## 13 Tax and surcharges

	Six months ended 30 June	
	2017	2016
Business tax	-	289,659
City maintenance and construction tax	26,420	29,515
Education surcharges	20,850	22,559
Others	20,297	2,011
Total	<u>67,567</u>	<u>343,744</u>

The Company and its major subsidiaries in Mainland China which principally engage in financial services, were subject to business tax at statutory tax rate of 5% before 1 May 2016. Pursuant to "Notice on Value Added Tax ("VAT") Reform Implementation" (Circular Caishui [2016] 36) which was jointly issued by the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") which taken effect from 1 May 2016, the Company and its subsidiaries in Mainland China are subject to VAT on a net basis at the statutory tax rate of 6%, instead of business tax.

Pursuant to "Notice on Clarifying VAT Policy of Financial, Real Estate, Education and Ancillary Services etc." (Circular Caishui [2016] 140) and "Notice on VAT of Asset Management Schemes" (Circular Caishui [2017] 56) jointly issued by the MOF and the SAT which will take effect from 1 Jan 2018, asset managers shall pay VAT for taxable activities during the operation of asset management schemes as the VAT tax payer. The asset managers are subject to VAT at the temporary assessable rate of 3%.



## 14 Other operating expenses

	Six months ended 30 June	
	2017	2016
Rental expenses	149,420	109,872
Securities investor protection funds	112,477	36,320
Business travel expenses	63,935	44,020
Marketing, advertising and promotion expenses	55,913	35,683
Consulting fees	51,431	26,700
Postal and communication expenses	47,811	52,622
Business entertainment expenses	46,999	39,198
IT expenses	28,168	19,809
Utilities	21,266	11,689
Auditors' remuneration	6,334	3,186
Cost of commodity sales	1,220	9,877
Others	350,629	267,782
<b>Total</b>	<b>935,603</b>	<b>656,758</b>

## 15 Provision/(reversal) of impairment losses

	Six months ended 30 June	
	2017	2016
Provision for impairment losses against accounts receivable	239	280
Reversal of impairment losses against other receivables	(1,679)	(787)
Reversal for impairment losses against margin accounts receivable	(1,343)	(8,158)
Provision for impairment losses against financial assets held under resale agreements	8,728	3,400
<b>Total</b>	<b>5,945</b>	<b>(5,265)</b>

## 16 Income tax expense

### (a) Taxation in the consolidated income statements represents:

	Six months ended 30 June	
	2017	2016
Current income tax		
- Mainland China	1,439,949	1,049,184
- Hong Kong	17,383	-
- Overseas	40,961	-
	<u>1,498,293</u>	<u>1,049,184</u>
Adjustment in respect of prior years		
- Mainland China	(9,936)	(11,127)
- Hong Kong	-	-
- Overseas	-	-
	<u>(9,936)</u>	<u>(11,127)</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(556,061)</u>	<u>(103,598)</u>
Total	<u><u>932,296</u></u>	<u><u>934,459</u></u>

- (i) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Group's subsidiaries in the Mainland China are subject to CIT at the statutory tax rate of 25%.
- (ii) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits for the year. The federal income tax of subsidiaries in the United States are provided at the rate of 35%, whereas the states' income tax are charged at the applicable local tax rates.

### (b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Six months ended 30 June	
	2017	2016
Profit before income tax	<u>3,986,863</u>	<u>3,878,012</u>
National tax calculated using the PRC statutory tax rate	996,716	969,503
Tax effect of non-deductible expenses	19,410	2,812
Tax effect of non-taxable income	(99,162)	(53,442)
Tax effect of unused tax losses not recognised	15,225	38,798
Effect of different tax rates of the subsidiary	7,451	-
Adjustment for prior years	(9,936)	(11,127)
Others	<u>2,592</u>	<u>(12,085)</u>
Actual income tax expense	<u><u>932,296</u></u>	<u><u>934,459</u></u>

## 17 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2017	2016
Weighted average number of ordinary shares (in thousands)	17(a)	7,162,769	7,162,769
Net profit attributable to equity shareholders of the Company (in RMB thousands)		2,993,250	2,841,253
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)		0.42	0.40

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period.

### (a) Weighted average number of ordinary shares (in thousands)

	Six months ended 30 June	
	2017	2016
Number of ordinary shares as at 1 January	7,162,769	7,162,769
Increase in weighted average number of ordinary shares	-	-
Weighted average number of ordinary shares	<u>7,162,769</u>	<u>7,162,769</u>

## 18 Property and equipment

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2017	3,500,382	152,749	651,065	130,826	63,041	4,498,063
Additions	-	1,349	29,582	5,158	60,156	96,245
Acquisition of subsidiaries	-	-	-	-	-	-
Transfer during the period (Note 27)	41,016	-	392	-	(44,498)	(3,090)
Transfer in from investment properties	272,092	-	-	-	-	272,092
Disposals	-	(453)	(12,533)	(3,478)	-	(16,464)
As at 30 June 2017	<u>3,813,490</u>	<u>153,645</u>	<u>668,506</u>	<u>132,506</u>	<u>78,699</u>	<u>4,846,846</u>
<b>Accumulated depreciation</b>						
As at 1 January 2017	(360,682)	(114,628)	(388,647)	(66,655)	-	(930,612)
Charge for the period	(52,884)	(5,635)	(39,768)	(8,287)	-	(106,574)
Transfer in from investment properties	(33,810)	-	-	-	-	(33,810)
Disposals	-	432	11,932	3,314	-	15,678
As at 30 June 2017	<u>(447,376)</u>	<u>(119,831)</u>	<u>(416,483)</u>	<u>(71,628)</u>	<u>-</u>	<u>(1,055,318)</u>
<b>Carrying amount</b>						
As at 30 June 2017	<u>3,366,114</u>	<u>33,814</u>	<u>252,023</u>	<u>60,878</u>	<u>78,699</u>	<u>3,791,528</u>
<b>Cost</b>						
As at 1 January 2016	2,572,138	150,655	610,791	78,998	761,146	4,173,728
Additions	-	5,775	81,907	19,336	121,076	228,094
Acquisition of subsidiaries	-	-	17,036	23,415	-	40,451
Transfer during the year (Note 27)	776,371	-	-	17,962	(819,181)	(24,848)
Transfer in from investment properties	153,595	-	-	-	-	153,595
Disposals	(1,722)	(3,681)	(58,669)	(8,885)	-	(72,957)
As at 31 December 2016	<u>3,500,382</u>	<u>152,749</u>	<u>651,065</u>	<u>130,826</u>	<u>63,041</u>	<u>4,498,063</u>
<b>Accumulated depreciation</b>						
As at 1 January 2016	(260,089)	(106,741)	(365,945)	(61,935)	-	(794,710)
Charge for the year	(93,719)	(11,360)	(75,745)	(13,225)	-	(194,049)
Transfer in from investment properties	(7,744)	-	-	-	-	(7,744)
Disposals	870	3,473	53,043	8,505	-	65,891
As at 31 December 2016	<u>(360,682)</u>	<u>(114,628)</u>	<u>(388,647)</u>	<u>(66,655)</u>	<u>-</u>	<u>(930,612)</u>
<b>Carrying amount</b>						
As at 31 December 2016	<u>3,139,700</u>	<u>38,121</u>	<u>262,418</u>	<u>64,171</u>	<u>63,041</u>	<u>3,567,451</u>

As at 30 June 2017 and 31 December 2016, included in buildings, there is a carrying amount of RMB39,150 thousand and RMB39,993 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

## 19 Goodwill

	As at 30 June 2017	As at 31 December 2016
Cost	2,040,399	2,040,399
Effect of exchange rate changes for cost	3,029	50,853
Less: Provision for impairment losses	-	-
Carrying amount	<u>2,043,428</u>	<u>2,091,252</u>

## 20 Other intangible assets

	Land use rights	Existing relationships with broker-dealers	Trade names	Software and others	Total
<b>Cost</b>					
As at 1 January 2017	359,161	3,957,420	317,923	1,427,847	6,062,351
Additions	-	-	-	57,864	57,864
Acquisition of a subsidiaries	-	-	-	-	-
Other additions	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange differences	-	(92,395)	(7,423)	(18,927)	(118,745)
As at 30 June 2017	359,161	3,865,025	310,500	1,466,784	6,001,470
<b>Accumulated amortisation</b>					
As at 1 January 2017	(63,731)	-	(2,650)	(486,946)	(553,327)
Charge for the period	(3,008)	-	(13,881)	(123,761)	(140,650)
Disposals	-	-	-	-	-
Exchange differences	-	-	187	1,488	1,675
As at 30 June 2017	(66,739)	-	(16,344)	(609,219)	(692,302)
<b>Carrying amount</b>					
As at 30 June 2017	292,422	3,865,025	294,156	857,565	5,309,168
<b>Cost</b>					
As at 1 January 2016	359,161	-	-	487,863	847,024
Additions	-	-	-	129,711	129,711
Acquisition of a subsidiaries	-	3,858,784	309,999	790,317	4,959,100
Other additions	-	98,636	7,924	20,340	126,900
Disposals	-	-	-	(384)	(384)
As at 31 December 2016	359,161	3,957,420	317,923	1,427,847	6,062,351
<b>Accumulated amortisation</b>					
As at 1 January 2016	(56,536)	-	-	(365,520)	(422,056)
Charge for the year	(7,195)	-	(2,650)	(121,771)	(131,616)
Disposals	-	-	-	345	345
As at 31 December 2016	(63,731)	-	(2,650)	(486,946)	(553,327)
<b>Carrying amount</b>					
As at 31 December 2016	295,430	3,957,420	315,273	940,901	5,509,024

Existing relationships with broker-dealers are regarded as having an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

## 21 Interest in associates

	As at 30 June 2017	As at 31 December 2016
Share of net assets	3,275,005	3,075,521

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associates	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
China Southern Asset Management Co., Ltd.	Shenzhen	300,000	45.00%	45.00%	-	Fund management
Huatai-PineBridge Fund Management Co., Ltd.	Shanghai	200,000	49.00%	49.00%	-	Fund management
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	Nanjing	1,000,000	48.25%	-	48.25%	Equity investment

All of the above associates are accounted for using the equity method in the consolidated financial statements.

## 21 Interest in associates (continued)

Summarised financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

### China Southern Asset Management Co., Ltd.

	Six months ended 30 June	
	2017	2016
Gross amounts of the associate:		
Revenue	1,518,068	1,397,200
Profit for the period	448,042	309,690
Other comprehensive income	6,885	(46,250)
Total comprehensive income	454,927	263,440
Dividend received from the associate	162,000	162,000
	As at 30 June 2017	As at 31 December 2016
Gross amounts of the associate:		
Assets	6,236,924	6,374,667
Liabilities	(2,005,566)	(2,238,236)
Net assets	4,231,358	4,136,431
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	4,027,075	3,955,410
The Group's effective interest	45%	45%
The Group's share of net assets of the associate	1,812,184	1,779,934
Carrying amount in the consolidated financial statements	1,812,184	1,779,934



## 21 Interest in associates (continued)

### Huatai-PineBridge Fund Management Co., Ltd.

	Six months ended 30 June	
	2017	2016
Gross amounts of the associate:		
Revenue	281,310	392,155
Profit for the period	76,558	119,877
Other comprehensive income	2,013	(18,047)
Total comprehensive income	78,571	101,830
Dividend received from the associate	30,870	49,000
	As at 30 June 2017	As at 31 December 2016
Gross amounts of the associate:		
Assets	924,268	1,025,918
Liabilities	(153,986)	(271,207)
Net assets	770,282	754,711
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	770,282	754,711
The Group's effective interest	49%	49%
The Group's share of net assets of the associate	377,438	369,808
Other adjustments	-	(260)
Carrying amount in the consolidated financial statements	<u>377,438</u>	<u>369,548</u>

## 21 Interest in associates (continued)

### Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)

	Six months ended 30 June	
	2017	2016
Gross amounts of the associate:		
Revenue	5,352	8,538
Loss for the period	(1,750)	(11,660)
Other comprehensive income	21,705	49,856
Total comprehensive income	19,955	38,196
	As at 30 June 2017	As at 31 December 2016
Gross amounts of the associate:		
Assets	1,391,146	1,361,858
Liabilities	(9,588)	(255)
Net assets	1,381,558	1,361,603
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	1,381,558	1,361,603
The Group's effective interest	48.25%	48.25%
The Group's share of net assets of the associate	666,601	656,973
Other adjustments	14,694	14,694
Carrying amount in the consolidated financial statements	<u>681,295</u>	<u>671,667</u>

### Aggregate information of associates that are not individually material:

	Six months ended 30 June	
	2017	2016
Aggregate amounts of the Group's share of those associates' losses	(11,904)	(946)
Other comprehensive income	19,797	135
Total comprehensive income	7,893	(811)
	As at 30 June 2017	As at 31 December 2016
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>404,088</u>	<u>254,372</u>

## 22 Interest in joint venture

	As at 30 June 2017	As at 31 December 2016
Share of net assets	305,611	301,756

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	Nanjing	10,020,000	10.00%	-	10.00%	Equity investment

As at 30 June 2017, the Group holds 10.00% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the partnership agreement, the Group and the third party contractually agree to share control of the fund, and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

## 22 Interest in joint venture (continued)

Summarised financial information of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership), and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

### Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)

	Six months ended 30 June 2017	For the period from 22 March 2016 (business licence issuance date) to 30 June 2016
Gross amounts of the joint venture:		
Revenue	27,946	2,214
Profit for the period	22,692	1,535
Other comprehensive income	15,854	-
Total comprehensive income	38,546	1,535
	<u>As at 30 June 2017</u>	<u>As at 31 December 2016</u>
Gross amounts of the joint venture:		
Assets	3,056,506	3,021,370
Liabilities	(397)	(3,807)
Net assets	3,056,109	3,017,563
Reconciled to the Group's interest in the joint venture:		
Net assets of the joint venture attributable to the parent company	3,056,109	3,017,563
The Group's effective interest	10%	10%
The Group's share of net assets of the joint venture	<u>305,611</u>	<u>301,756</u>
Carrying amount in the consolidated financial statements	<u>305,611</u>	<u>301,756</u>

## 23 Available-for-sale financial assets

### Non-current

	As at 30 June 2017	As at 31 December 2016
<b>At fair value:</b>		
- Equity securities	17,865,273	17,103,586
- Debt securities	2,933,452	143,655
- Wealth management products	10,471,340	13,970,874
<b>At cost:</b>		
- Equity securities	5,716	5,716
Less: Impairment losses	<u>(5,716)</u>	<u>(5,716)</u>
Total	<u>31,270,065</u>	<u>31,218,115</u>
Analysed as:		
Listed outside Hong Kong	9,623,748	6,886,017
Unlisted	<u>21,646,317</u>	<u>24,332,098</u>
Total	<u>31,270,065</u>	<u>31,218,115</u>

### Current

	As at 30 June 2017	As at 31 December 2016
<b>At fair value:</b>		
- Equity securities	8,936,328	9,232,942
- Debt securities	1,792,413	836,775
- Funds	39,312	688,970
- Wealth management products	1,448,157	1,759,760
Less: Impairment losses	<u>-</u>	<u>-</u>
Total	<u>12,216,210</u>	<u>12,518,447</u>
Analysed as:		
Listed outside Hong Kong	10,474,287	10,627,289
Listed inside Hong Kong	28,166	34,521
Unlisted	<u>1,713,757</u>	<u>1,856,637</u>
Total	<u>12,216,210</u>	<u>12,518,447</u>

## 23 Available-for-sale financial assets (continued)

The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed a total amount of RMB14,440 million in July and September 2015 to the special account established and managed by CSF for unified operation. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. The Company signed "the Agreement for Disposal of Equity Return Swap" with CSF on 27 March 2017, and received part of the investment principal and investment gains from CSF. As at 30 June 2017, considering the purpose and special feature of this investment, including the investment and divestment decision-making processes, the management consider that there is no objective evidence of impairment due to the significant or non-temporary decrease in fair value. As at 30 June 2017 and 31 December 2016, the fair value of the Company's contribution recognised by the Company was RMB10,121 million and 13,783 million based on the investment account statement provided by CSF.

As at 30 June 2017, the Group has no fund investments with lock-up periods in its investment portfolio. As at 31 December 2016, the fund investments with lock-up periods held by the Group is RMB2,958 thousand. The fair values of these funds have taken into account the relevant features including the restrictions.

As at 30 June 2017 and 31 December 2016, the listed equity securities held by the Group included approximately RMB7,192,514 thousand and RMB6,742,362 thousand of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that for those of which the fair value cannot be measured reliably, the value of the securities is measured at cost less impairment at the reporting date. And for the fair value of those equity which can be measured reliably, the value of the securities is measured by comparing with comparable companies that are listed and in the same sector.

Non-current available-for-sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 30 June 2017, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB52,069 thousand to external clients, which did not result in derecognition of the financial assets. The Company has no such transaction as of 31 December 2016. The fair value of collaterals for the securities lending business is analysed in Note 30 (c) together with the fair value of collaterals of margin financing business.

## 24 Financial assets at fair value through profit or loss

### Non-current

#### (a) Analysed by type:

	As at 30 June 2017	As at 31 December 2016
Financial assets designated at fair value through profit or loss:		
- Wealth management products	1,493,333	1,294,444
Total	1,493,333	1,294,444

#### (b) Analysed as:

	As at 30 June 2017	As at 31 December 2016
Financial assets designated at fair value through profit or loss:		
- Unlisted	1,493,333	1,294,444
Total	1,493,333	1,294,444

### Current

#### (a) Analysed by type:

	As at 30 June 2017	As at 31 December 2016
Held for trading		
- Debt securities	59,577,217	50,293,491
- Equity securities	6,128,600	4,565,506
- Funds	20,244,530	22,744,645
- Wealth management products	1,917,575	4,209,145
Total	87,867,922	81,812,787

#### (b) Analysed as:

	As at 30 June 2017	As at 31 December 2016
Held for trading:		
- Listed outside Hong Kong	34,257,713	59,548,602
- Listed in Hong Kong	104,854	124,792
- Unlisted	53,505,355	22,139,393
Total	87,867,922	81,812,787

## 25 Refundable deposits

	As at 30 June 2017	As at 31 December 2016
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	384,607	452,046
- Hong Kong Securities Clearing Company Limited	2,461	8,213
	<u>387,068</u>	<u>460,259</u>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	2,367,462	2,993,065
- Shanghai Futures Exchange	2,327,132	1,425,906
- Dalian Commodity Exchange	1,307,529	1,202,923
- Zhengzhou Commodity Exchange	994,566	710,754
- Overseas Commodity Exchange	12,746	90
	<u>7,009,435</u>	<u>6,332,738</u>
Deposits with other institutions		
- China Securities Finance Corporation Limited	650,497	1,249,255
- Shanghai Clearing House	101,580	116,070
- Shanghai Gold Exchange	300	300
- Other financial institutions	6	6
	<u>752,383</u>	<u>1,365,631</u>
Total	<u><u>8,148,886</u></u>	<u><u>8,158,628</u></u>



## 26 Deferred taxation

(a) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Fair value adjustment arising from acquisition of subsidiaries	Others	Total
As at 1 January 2017	111,222	1,302,235	(309,823)	179,051	(1,242,901)	(1,735,046)	(310,788)	(2,006,050)
Recognised in profit or loss	1,486	46,361	81,866	61,904	-	108,562	255,882	556,061
Recognised in reserves	-	-	-	-	(148,088)	-	(3,063)	(151,151)
As at 30 June 2017	112,708	1,348,596	(227,957)	240,955	(1,390,989)	(1,626,484)	(57,969)	(1,601,140)
As at 1 January 2016	121,050	891,803	(652,761)	576,473	(1,031,065)	-	(44,710)	(139,210)
Recognised in profit or loss	(9,828)	397,188	342,938	(397,422)	-	(65,743)	(402,032)	(134,899)
Acquisition of subsidiaries	-	13,244	-	-	-	(1,669,303)	182,910	(1,473,149)
Recognised in reserves	-	-	-	-	(211,836)	-	(46,956)	(258,792)
As at 31 December 2016	111,222	1,302,235	(309,823)	179,051	(1,242,901)	(1,735,046)	(310,788)	(2,006,050)

## 26 Deferred taxation (continued)

### (b) Reconciliation to the statements of financial position

	As at 30 June 2017	As at 31 December 2016
Net deferred tax assets recognised in the statement of financial position	530,114	556,094
Net deferred tax liabilities recognised in the statement of financial position	<u>(2,131,254)</u>	<u>(2,562,144)</u>
Total	<u><u>(1,601,140)</u></u>	<u><u>(2,006,050)</u></u>

### (c) Deferred tax assets not recognised

As at 30 June 2017 and 31 December 2016, the Group has not recognised unused tax losses of RMB857,865 thousand and RMB796,965 thousand respectively as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The related tax losses do not expire under current tax legislation.

## 27 Other non-current assets

### (a) Analysed by nature :

	As at 30 June 2017	As at 31 December 2016
Leasehold improvements and long-term deferred expenses	<u>102,149</u>	<u>79,070</u>

### (b) The movements of leasehold improvements and long-term deferred expenses are as below :

	As at 30 June 2017	As at 31 December 2016
Balance at the beginning of the period	79,070	78,174
Additions	37,605	19,831
Transfer in from property and equipment (Note 18)	3,090	24,848
Amortisation	<u>(17,616)</u>	<u>(43,783)</u>
Balance at the end of the period	<u><u>102,149</u></u>	<u><u>79,070</u></u>

## 28 Accounts receivable

### (a) Analysed by nature :

	As at 30 June 2017	As at 31 December 2016
Accounts receivable of:		
- Fee and commission	562,961	473,989
- Subscription receivable	169,365	122,857
- Brokers, dealers and clearing house	156,047	287,864
- Settlement	39,840	55,678
- Redemption of open-ended fund	6,250	35,110
- Others	32,891	20,539
Less: Impairment losses	<u>(4,863)</u>	<u>(4,624)</u>
Total	<u>962,491</u>	<u>991,413</u>

### (b) Analysed by aging :

As at the end of the reporting period, the aging analysis of accounts receivable, based on the trade date, is as follows:

	As at 30 June 2017	As at 31 December 2016
Within 1 month	798,377	875,284
1 to 3 months	49,846	63,395
Over 3 months	<u>114,268</u>	<u>52,734</u>
Total	<u>962,491</u>	<u>991,413</u>

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

	As at 30 June 2017	As at 31 December 2016
At the beginning of the period/year	4,624	1,850
Charge for the period/year	239	2,774
Reversal of impairment	<u>-</u>	<u>-</u>
At the end of the period/year	<u>4,863</u>	<u>4,624</u>

### (d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

## 29 Other receivables and prepayments

### (a) Analysed by nature :

	As at 30 June 2017	As at 31 December 2016
Interest receivable	4,790,232	4,154,103
Other receivables <sup>(1)</sup>	1,132,454	973,582
Prepayments	39,957	13,863
Deferred expenses	17,805	22,974
Others	353,040	245,196
Less: Impairment losses	(337,556)	(339,235)
Total	<u>5,995,932</u>	<u>5,070,483</u>

(1) The balance of other receivables mainly represents amount due from the former non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund and sundry receivables arising from normal course of business.

### (b) Analysis of the movement of provision for impairment losses :

	As at 30 June 2017	As at 31 December 2016
At the beginning of the period/year	339,235	396,297
Charge for the period/year	-	2,282
Reversal of impairment	(1,679)	(56,781)
Amounts written-off	-	(2,563)
At the end of the period/year	<u>337,556</u>	<u>339,235</u>

### 30 Margin accounts receivable

#### (a) Analysed by nature:

	As at 30 June 2017	As at 31 December 2016
Individuals	49,448,602	53,792,895
Institutions	2,456,075	2,871,343
Less: Impairment losses	(57,791)	(59,134)
Total	<u>51,846,886</u>	<u>56,605,104</u>

#### (b) Analysis of the movement of provision for impairment losses:

	As at 30 June 2017	As at 31 December 2016
At the beginning of the period/year	59,134	59,780
Charge for the period/year	7,263	8,567
Reversal of impairment	(8,606)	(9,213)
At the end of the period/year	<u>57,791</u>	<u>59,134</u>

#### (c) The fair value of collaterals for margin financing and securities lending business is analysed as the followings:

	As at 30 June 2017	As at 31 December 2016
Fair value of collaterals:		
- Equity securities	143,285,990	156,933,396
- Cash	8,328,970	12,944,433
- Funds	361,626	234,571
- Debt securities	14,581	13,045
Total	<u>151,991,167</u>	<u>170,125,445</u>

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.

### 31 Derivative financial instruments

	As at 30 June 2017		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	53,215,695	37,104	(18,647)
- Treasury futures	510,695	-	(2,269)
- Interest rate swaps	52,705,000	37,104	(16,378)
Currency derivatives	-	-	-
- Currency swaps	-	-	-
Equity derivatives	50,532,685	179,284	(637,736)
- Stock index futures	510,695	-	(16,710)
- Equity return swaps	1,350,039	47,643	(546,983)
- Exchange-traded options	899,141	16,793	(20,237)
- Over-the-counter options	47,772,810	114,848	(53,806)
Credit derivatives	54,201	261	(1,207)
- Credit default swaps	54,201	261	(1,207)
Others	10,850,948	1,863	(477,451)
- Forward contracts	10,800,024	1,580	(471,966)
- Commodity futures	50,924	283	(5,485)
Total	<u>114,653,529</u>	218,512	(1,135,041)
Less: settlement		<u>(32,132)</u>	18,980
Net position		<u>186,380</u>	<u>(1,116,061)</u>

### 31 Derivative financial instruments (continued)

	As at 31 December 2016		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	44,336,843	64,094	(31,865)
- Treasury futures	876,843	-	(10,754)
- Interest rate swaps	43,460,000	64,094	(21,111)
Currency derivatives	3,468,500	4,834	(3,286)
- Currency swaps	3,468,500	4,834	(3,286)
Equity derivatives	45,106,918	93,536	(387,618)
- Stock index futures	23,742	43	-
- Equity return swaps	868,300	65,246	(370,969)
- Exchange-traded options	481,395	8,005	(6,240)
- Over-the-counter options	43,733,481	20,242	(10,409)
Credit derivatives	2,081,100	1,260	(896)
- Credit default swaps	2,081,100	1,260	(896)
Others	15,237,775	794	(451,100)
- Forward contracts	15,189,090	768	(451,100)
- Commodity futures	48,685	26	-
Total	<u>110,231,136</u>	164,518	(874,765)
Less: settlement		<u>(57,927)</u>	<u>10,754</u>
Net position		<u>106,591</u>	<u>(864,011)</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 Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures traded through Huatai Futures Co. Ltd. ("Huatai Futures"), were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at 30 June 2017 and 31 December 2016.

### 32 Clearing settlement funds

	As at 30 June 2017	As at 31 December 2016
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	1,177,775	1,222,971
- Hong Kong Securities Clearing Company Limited	551	2,633
Deposits with other institutions	<u>23,925</u>	<u>3,197</u>
Total	<u><u>1,202,251</u></u>	<u><u>1,228,801</u></u>

### 33 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, the use of cash held on behalf of brokerage clients is restricted and governed by the relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the use of cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### 34 Cash and bank balances

	As at 30 June 2017	As at 31 December 2016
Cash on hand	393	381
Bank balances	<u>30,554,954</u>	<u>45,229,651</u>
Total	<u><u>30,555,347</u></u>	<u><u>45,230,032</u></u>

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.



### 35 Cash and cash equivalents

	As at 30 June 2017	As at 31 December 2016
Cash on hand	393	381
Bank balances	30,554,954	45,229,651
Clearing settlement funds	1,202,251	1,228,801
Financial assets held under resale agreements within 3 months original maturity	5,231,553	7,932,804
Less: restricted bank deposits	<u>(12,090,046)</u>	<u>(22,740,023)</u>
Total	<u>24,899,105</u>	<u>31,651,614</u>

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, minimum liquid capital restriction deposits, bank loan guarantee deposits, dividends pledge for convertible bonds and risk reserve deposits.

### 36 Short-term bank loans

	As at 30 June 2017	As at 31 December 2016
Collateralised loans	<u>457,000</u>	<u>460,255</u>

As at 30 June 2017 and 31 December 2016, the interest rates on the short-term loans were in the range of 4.35% to 5.44%, respectively. The collateralised loans as at 30 June 2017 were pledged by the bank loan guarantee deposit.

### 37 Short-term debt instruments issued

	Nominal interest rate	Book value as at 1 January 2017	Issuance	Redemption	Book value as at 30 June 2017
Structured notes	3.90% - 8.00%	<u>1,621,000</u>	<u>8,455,800</u>	<u>(3,154,010)</u>	<u>6,922,790</u>

	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Book value as at 31 December 2016
Structured notes	2.00% - 8.00%	<u>1,053,004</u>	<u>5,035,260</u>	<u>(4,467,264)</u>	<u>1,621,000</u>

For the six months ended 30 June 2017, the Company issued 76 tranches of structured notes, bearing interest rates ranging from 3.90% to 8.00% per annum, repayable within 1 year. Structured notes repayable more than 1 year are disclosed in Note 43.

### 38 Placements from financial institutions

	As at 30 June 2017	As at 31 December 2016
Placements from China Securities Finance Co., Ltd.	<u>5,500,000</u>	<u>6,650,000</u>

As at 30 June 2017, the placements from China Securities Finance Co., Ltd. are secured by the bond and securities investment held by the Group and bear interest rates ranging from 3.30% to 4.50% per annum, with maturities within 74 days.

### 39 Accounts payable to brokerage clients

	As at 30 June 2017	As at 31 December 2016
Clients' deposits for margin financing and securities lending	69,192,780	82,617,056
Clients' deposits for other brokerage business	<u>8,446,800</u>	<u>10,111,781</u>
Total	<u>77,639,580</u>	<u>92,728,837</u>

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

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

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

## 40 Other payables and accruals

	As at 30 June 2017	As at 31 December 2016
Payables to interest holders of consolidated structured entities <sup>(1)</sup>	60,289,754	68,380,572
Dividend payable	3,594,481	-
Interest payable	1,255,690	2,155,236
Payable to open-ended funds	1,192,545	5,169,259
Settlement payables	804,156	632,679
Payable for equity return swaps	738,461	711,543
Payable for office building construction	687,794	799,554
Other tax payable	186,219	385,413
Fee and commission payable	155,813	217,276
Payable to the securities investors protection fund	120,884	131,333
Futures risk reserve	91,595	107,404
Dividend to be converted to the investment capital of consolidated structured entities	71,149	156,862
Payable to brokerage agents	54,334	52,964
Others <sup>(2)</sup>	1,180,981	771,600
<b>Total</b>	<b>70,423,856</b>	<b>79,671,695</b>

(1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because, the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes.

(2) The balance of others mainly represents payable to the joint bonds underwriters, and sundry payables arising from normal course of business.

## 41 Financial liabilities at fair value through profit or loss

### Non-current

	As at 30 June 2017	As at 31 December 2016
Financial liabilities designated at fair value through profit or loss	<u>13,556,906</u>	<u>25,163,711</u>

### Current

	As at 30 June 2017	As at 31 December 2016
Financial liabilities held for trading	453,962	2,604,066
Financial liabilities designated at fair value through profit or loss	<u>8,665,430</u>	<u>152,201</u>
Total	<u>9,119,392</u>	<u>2,756,267</u>

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds with the underlying investments related to listed equity investments in active markets and unlisted equities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private equity funds.

## 42 Long-term bonds due within one year

As at 30 June 2017

Name	Par value		Issuance date	Due date	Issue amount		Nominal interest rate
	Original currency				Original currency		
13 HUATAI 01 <sup>(1)</sup>	RMB4,000,000		05/06/2013	05/06/2018	RMB4,000,000		4.68%
15 HUATAI 01 <sup>(2)</sup>	RMB6,000,000		22/01/2015	23/01/2017	RMB6,000,000		5.90%
15 HUATAI 04 <sup>(3)</sup>	RMB18,000,000		25/06/2015	26/06/2017	RMB18,000,000		5.50%
15 HUATAI G1 <sup>(4)</sup>	RMB6,600,000		29/06/2015	29/06/2018	RMB6,600,000		4.20%
16 HUATAIQI <sup>(5)</sup>	RMB600,000		18/07/2016	18/07/2020	RMB600,000		3.94%
Structured notes <sup>(6)</sup>	Note (6)		Note (6)	Note (6)	Note (6)		3.50%

Name	Book value as at 1 January 2017	Increase	Amount of amortization	Decrease	Book value as at 30 June 2017
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01 <sup>(1)</sup>	-	3,997,332	986	-	3,998,318
15 HUATAI 01 <sup>(2)</sup>	6,000,000	-	-	(6,000,000)	-
15 HUATAI 04 <sup>(3)</sup>	18,000,000	-	-	(18,000,000)	-
15 HUATAI G1 <sup>(4)</sup>	-	6,594,798	1,758	-	6,596,556
16 HUATAIQI <sup>(5)</sup>	-	600,000	-	-	600,000
Structured notes <sup>(6)</sup>	1,900,000	3,000,000	-	(4,000,000)	900,000
<b>Total</b>	<b>25,900,000</b>	<b>14,192,130</b>	<b>2,744</b>	<b>(28,000,000)</b>	<b>12,094,874</b>

## 42 Long-term bonds due within one year (continued)

As at 31 December 2016

Name	Par value		Issuance date	Due date	Issue amount	
	Original currency				Original currency	Nominal interest rate
14 HUATAI 02	RMB3,000,000		18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 04	RMB4,000,000		26/09/2014	29/09/2018	RMB4,000,000	5.90%
15 HUATAI 01 <sup>(2)</sup>	RMB6,000,000		22/01/2015	23/01/2017	RMB6,000,000	5.90%
15 HUATAI 02	RMB7,000,000		20/04/2015	21/04/2017	RMB7,000,000	5.60%
15 HUATAI 04 <sup>(3)</sup>	RMB18,000,000		25/06/2015	26/06/2017	RMB18,000,000	5.50%
15 HUATAIQI	RMB600,000		22/07/2015	22/07/2019	RMB600,000	5.80%
Structured notes	RMB3,580,000		-	-	RMB3,580,000	2.40% - 5.00%

Name	Book value as at 1 January 2016	Increase	Amount of amortization	Decrease	Book value as at 31 December 2016
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
14 HUATAI 02	2,998,178	-	1,822	(3,000,000)	-
14 HUATAI 04	-	4,000,000	-	(4,000,000)	-
15 HUATAI 01 <sup>(2)</sup>	-	6,000,000	-	-	6,000,000
15 HUATAI 02	-	7,000,000	-	(7,000,000)	-
15 HUATAI 04 <sup>(3)</sup>	-	18,000,000	-	-	18,000,000
15 HUATAIQI	-	615,445	17,352	(632,797)	-
Structured notes	-	3,580,000	-	(1,680,000)	1,900,000
Total	<u>2,998,178</u>	<u>39,195,445</u>	<u>19,174</u>	<u>(16,312,797)</u>	<u>25,900,000</u>

- (1) The Company has issued 5-year corporate bond with a nominal amount of RMB4 billion on 5 June 2013. The corporate bond was listed in the Shanghai Stock Exchange on 17 July 2013.
- (2) The Company has issued a 2-year subordinated bond with a nominal amount of RMB6 billion on 22 January 2015. The Company fully redeemed the subordinated bond on 23 January 2017.
- (3) The Company has issued a 2-year subordinated bond with a nominal amount of RMB18 billion on 25 June 2015. The Company fully redeemed the subordinated bond on 26 June 2017.
- (4) The Company has issued a 3-year corporate bond with a nominal amount of RMB6.6 billion on 29 June 2015.
- (5) Huatai Futures Co., Ltd. has issued a 4-year subordinated bond with a nominal amount of RMB0.6 billion on 18 July 2016. Huatai Futures Co., Ltd. has the option to redeem the 4-year subordinated bond at the end of the first year since its issuance. As at 30 June 2017, Huatai Futures Co., Ltd. has the discretion to redeem the 4-year subordinated bond within one year. Huatai Futures Co., Ltd. fully redeemed the subordinated bond on 18 July 2017 (see Note 55 (a)).
- (6) As at 30 June 2017, structured notes with a nominal amount of RMB0.9 billion would mature within one year.

## 43 Long-term bonds

As at 30 June 2017

Name	Par value		Issuance date	Due date	Issue amount		Nominal interest rate
	Original currency				Original currency		
13 HUATAI 01 <sup>(1)</sup>	RMB	4,000,000	05/06/2013	05/06/2018	RMB	4,000,000	4.68%
13 HUATAI 02 <sup>(1)</sup>	RMB	6,000,000	05/06/2013	05/06/2023	RMB	6,000,000	5.10%
HUATAI B1910 <sup>(2)</sup>	US\$	400,000	08/10/2014	08/10/2019	US\$	399,665	3.625%
15 HUATAI 03 <sup>(3)</sup>	RMB	5,000,000	20/04/2015	21/04/2020	RMB	5,000,000	5.80%
15 HUATAI G1 <sup>(4)</sup>	RMB	6,600,000	29/06/2015	29/06/2018	RMB	6,600,000	4.20%
16 HUATAI C1 <sup>(5)</sup>	RMB	5,000,000	14/10/2016	14/10/2021	RMB	5,000,000	3.30%
16 HUATAI C2 <sup>(6)</sup>	RMB	3,000,000	21/10/2016	21/10/2019	RMB	3,000,000	3.12%
16 HUATAI G1 <sup>(7)</sup>	RMB	3,500,000	06/12/2016	06/12/2019	RMB	3,500,000	3.57%
16 HUATAI G2 <sup>(7)</sup>	RMB	2,500,000	06/12/2016	06/12/2021	RMB	2,500,000	3.78%
16 HUATAI G3 <sup>(8)</sup>	RMB	5,000,000	14/12/2016	14/12/2019	RMB	5,000,000	3.79%
16 HUATAI G4 <sup>(8)</sup>	RMB	3,000,000	14/12/2016	14/12/2021	RMB	3,000,000	3.97%
16 HUATAIQ1 <sup>(9)</sup>	RMB	600,000	18/07/2016	18/07/2020	RMB	600,000	3.94%
17 HUATAI 01 <sup>(10)</sup>	RMB	6,000,000	24/02/2017	24/08/2018	RMB	6,000,000	4.50%
17 HUATAI 02 <sup>(10)</sup>	RMB	2,000,000	24/02/2017	24/02/2020	RMB	2,000,000	4.65%
17 HUATAI 03 <sup>(11)</sup>	RMB	4,000,000	15/05/2017	15/05/2019	RMB	4,000,000	5.00%
17 HUATAI 04 <sup>(11)</sup>	RMB	6,000,000	15/05/2017	15/05/2020	RMB	6,000,000	5.25%
Structured notes <sup>(12)</sup>	Note	(12)	Note	(12)	Note	(12)	3.50%

Name	Book value as at 1 January 2017	Increase	Amount of amortization		Foreign exchange impact	Book value as at 30 June 2017
	RMB equivalent		RMB equivalent	Decrease		RMB equivalent
13 HUATAI 01 <sup>(1)</sup>	3,997,332	-	986	(3,998,318)	-	-
13 HUATAI 02 <sup>(1)</sup>	5,991,065	-	654	-	-	5,991,719
HUATAI B1910 <sup>(2)</sup>	2,764,621	-	1,824	-	(64,139)	2,702,306
15 HUATAI 03 <sup>(3)</sup>	5,000,000	-	-	-	-	5,000,000
15 HUATAI G1 <sup>(4)</sup>	6,594,798	-	1,758	(6,596,556)	-	-
16 HUATAI C1 <sup>(5)</sup>	5,000,000	-	-	-	-	5,000,000
16 HUATAI C2 <sup>(6)</sup>	3,000,000	-	-	-	-	3,000,000
16 HUATAI G1 <sup>(7)</sup>	3,500,000	-	-	-	-	3,500,000
16 HUATAI G2 <sup>(7)</sup>	2,500,000	-	-	-	-	2,500,000
16 HUATAI G3 <sup>(8)</sup>	5,000,000	-	-	-	-	5,000,000
16 HUATAI G4 <sup>(8)</sup>	3,000,000	-	-	-	-	3,000,000
16 HUATAIQ1 <sup>(9)</sup>	600,000	-	-	(600,000)	-	-
17 HUATAI 01 <sup>(10)</sup>	-	6,000,000	-	-	-	6,000,000
17 HUATAI 02 <sup>(10)</sup>	-	2,000,000	-	-	-	2,000,000
17 HUATAI 03 <sup>(11)</sup>	-	4,000,000	-	-	-	4,000,000
17 HUATAI 04 <sup>(11)</sup>	-	6,000,000	-	-	-	6,000,000
Structured notes <sup>(12)</sup>	3,000,000	-	-	(3,000,000)	-	-
<b>Total</b>	<b>49,947,816</b>	<b>18,000,000</b>	<b>5,222</b>	<b>(14,194,874)</b>	<b>(64,139)</b>	<b>53,694,025</b>

## 43 Long-term bonds (continued)

As at 31 December 2016

Name	Par value		Issuance date	Due date	Issue amount		Nominal interest rate
	Original currency				Original currency		
13 HUATAI 01 <sup>(1)</sup>	RMB4,000,000		05/06/2013	05/06/2018	RMB4,000,000		4.68%
13 HUATAI 02 <sup>(1)</sup>	RMB6,000,000		05/06/2013	05/06/2023	RMB6,000,000		5.10%
14 HUATAI 04	RMB4,000,000		26/09/2014	29/09/2018	RMB4,000,000		5.90%
HUATAI B1910 <sup>(2)</sup>	US\$400,000		08/10/2014	08/10/2019	US\$399,665		3.625%
15 HUATAI 01	RMB6,000,000		22/01/2015	23/01/2017	RMB6,000,000		5.90%
15 HUATAI 02	RMB7,000,000		20/04/2015	21/04/2017	RMB7,000,000		5.60%
15 HUATAI 03 <sup>(3)</sup>	RMB5,000,000		20/04/2015	21/04/2020	RMB5,000,000		5.80%
15 HUATAI 04	RMB18,000,000		25/06/2015	26/06/2017	RMB18,000,000		5.50%
15 HUATAI G1 <sup>(4)</sup>	RMB6,600,000		29/06/2015	29/06/2018	RMB6,600,000		4.20%
15 HUATAIQI	RMB600,000		22/07/2015	22/07/2019	RMB600,000		5.80%
16 HUATAI C1 <sup>(5)</sup>	RMB5,000,000		14/10/2016	14/10/2021	RMB5,000,000		3.30%
16 HUATAI C2 <sup>(6)</sup>	RMB3,000,000		21/10/2016	21/10/2019	RMB3,000,000		3.12%
16 HUATAI G1 <sup>(7)</sup>	RMB3,500,000		06/12/2016	06/12/2019	RMB3,500,000		3.57%
16 HUATAI G2 <sup>(7)</sup>	RMB2,500,000		06/12/2016	06/12/2021	RMB2,500,000		3.78%
16 HUATAI G3 <sup>(8)</sup>	RMB5,000,000		14/12/2016	14/12/2019	RMB5,000,000		3.79%
16 HUATAI G4 <sup>(8)</sup>	RMB3,000,000		14/12/2016	14/12/2021	RMB3,000,000		3.97%
16 HUATAIQI <sup>(9)</sup>	RMB600,000		18/07/2016	18/07/2020	RMB600,000		3.94%
Structured notes	RMB6,580,000		-	-	RMB6,580,000		2.80% - 5.00%

Name	Book value as at 1 January 2016	Increase	Amount of amortization	Decrease	Foreign exchange impact	Book value as at 31 December 2016
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01 <sup>(1)</sup>	3,995,676	-	1,656	-	-	3,997,332
13 HUATAI 02 <sup>(1)</sup>	5,989,982	-	1,083	-	-	5,991,065
14 HUATAI 04	4,000,000	-	-	(4,000,000)	-	-
HUATAI B1910 <sup>(2)</sup>	2,581,298	-	3,499	-	179,824	2,764,621
15 HUATAI 01	6,000,000	-	-	(6,000,000)	-	-
15 HUATAI 02	7,000,000	-	-	(7,000,000)	-	-
15 HUATAI 03 <sup>(3)</sup>	5,000,000	-	-	-	-	5,000,000
15 HUATAI 04	18,000,000	-	-	(18,000,000)	-	-
15 HUATAI G1 <sup>(4)</sup>	6,591,599	-	3,199	-	-	6,594,798
15 HUATAIQI	615,445	-	17,352	(632,797)	-	-
16 HUATAI C1 <sup>(5)</sup>	-	5,000,000	-	-	-	5,000,000
16 HUATAI C2 <sup>(6)</sup>	-	3,000,000	-	-	-	3,000,000
16 HUATAI G1 <sup>(7)</sup>	-	3,500,000	-	-	-	3,500,000
16 HUATAI G2 <sup>(7)</sup>	-	2,500,000	-	-	-	2,500,000
16 HUATAI G3 <sup>(8)</sup>	-	5,000,000	-	-	-	5,000,000
16 HUATAI G4 <sup>(8)</sup>	-	3,000,000	-	-	-	3,000,000
16 HUATAIQI <sup>(9)</sup>	-	600,000	-	-	-	600,000
Structured notes	9,600,000	6,580,000	-	(13,180,000)	-	3,000,000
Total	69,374,000	29,180,000	26,789	(48,812,797)	179,824	49,947,816



### 43 Long-term bonds (continued)

- (1) The Company has issued a 5-year corporate bond with a nominal amount of RMB4 billion and a 10-year corporate bond with a nominal amount of RMB6 billion on 5 June 2013. These two tranches of corporate bonds were listed in the Shanghai Stock Exchange on 17 July 2013. As at 30 June 2017, the corporate bond is due within one year and is therefore classified as "Long-term bonds due within one year" (Note 42).
- (2) Huatai International Finance I Limited, the Company's Hong Kong subsidiary, has issued a 5-year bond with a nominal amount of USD0.4 billion on 8 October 2014. The bond was guaranteed by the Bank of China Limited. The Company has provided counter-guarantee to the Bank of China Limited.
- (3) The Company has issued a 5-year subordinated bond with a nominal amount of RMB5 billion on 20 April 2015. The Company has the option to redeem the 5-year subordinated bond at the end of the third year since its issuance.
- (4) The Company has issued a 3-year corporate bond with a nominal amount of RMB6.6 billion on 29 June 2015. As at 30 June 2017, the corporate bond is due within one year and is therefore classified as "Long-term bonds due within one year" (Note 42).
- (5) The Company has issued a 5-year subordinated bond with a nominal amount of RMB5 billion on 14 October 2016. The Company has the option to redeem the 5-year subordinated bond at the end of the third year since its issuance.
- (6) The Company has issued a 3-year subordinated bond with a nominal amount of RMB3 billion on 21 October 2016. The Company has the option to redeem the 3-year subordinated bond at the end of the second year since its issuance.
- (7) The Company has issued a 3-year corporate bond with a nominal amount of RMB3.5 billion and a 5-year corporate bond with a nominal amount of RMB2.5 billion on 6 December 2016.
- (8) The Company has issued a 3-year corporate bond with a nominal amount of RMB5 billion and a 5-year corporate bond with a nominal amount of RMB3 billion on 14 December 2016.
- (9) Huatai Futures Co., Ltd. has issued a 4-year subordinated bond with a nominal amount of RMB0.6 billion on 18 July 2016. Huatai Futures Co., Ltd. has the option to redeem the 4-year subordinated bond at the end of the first year since its issuance. As at 30 June 2017, Huatai Futures Co., Ltd. has the discretion to redeem the 4-year subordinated bond within one year. The subordinated bond is therefore classified as "Long-term bonds due within one year" (Note 42).
- (10) The Company has issued a 1.5-year corporate bond with a nominal amount of RMB6 billion and a 3-year corporate bond with a nominal amount of RMB2 billion respectively on 24 February 2017.
- (11) The Company has issued a 2-year corporate bond with a nominal amount of RMB4 billion and a 3-year corporate bond with a nominal amount of RMB6 billion respectively on 15 May 2017.
- (12) During the period, the Company has not issued structured notes repayable more than 1 year. The Company fully redeemed the structured notes with a nominal amount of RMB3 billion in the first half of 2017. Structured notes due within one year are disclosed in Note 42.

## 44 Share capital

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

	As at 30 June 2017		As at 31 December 2016	
	Number of shares (Thousands)	Nominal value	Number of shares (Thousands)	Nominal value
Registered, issued and fully paid:				
A shares of RMB1 each	5,443,723	5,443,723	5,443,723	5,443,723
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
Total	<u>7,162,769</u>	<u>7,162,769</u>	<u>7,162,769</u>	<u>7,162,769</u>

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued additional 162,768,800 H shares.

According to the relevant PRC requirements, existing shareholders of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

The H shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

## 45 Reserves

### (a) 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.

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 1 June 2015. The excess of the proceeds over the face value of the total number of ordinary shares issued which amounted to RMB28,590,928 thousand was credited to the capital reserve, net of offering expenses (of which the inter-group transactions were eliminated on consolidation) of RMB441,058 thousand.

### (b) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

## 45 Reserves (continued)

### (c) General reserve

General reserve includes general risk reserve and 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% from its annual net profit to the transaction risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

### (d) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets until the assets are derecognised or impaired.

### (e) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

## 46 Retained profits

Pursuant to the resolution of the general meeting of shareholders dated 21 June 2017, it was approved that the Company distribute cash dividends of RMB5.00 (tax inclusive) per 10 shares to our existing holders of A Shares and H Shares, with total cash dividends amounting to RMB3,581,384 thousand.

## 47 Commitments

### (a) Capital commitments

Capital commitments outstanding as at 30 June 2017 and 31 December 2016 not provided for in the interim financial report were as follows:

	As at 30 June 2017	As at 31 December 2016
Contracted, but not provided for	<u>323,077</u>	<u>73,041</u>

The above-mentioned capital commitments mainly represent the construction of properties and securities underwriting commitments of the Group.

### (b) Operating lease commitments

As at 30 June 2017 and 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2017	As at 31 December 2016
Within 1 year (inclusive)	230,896	223,519
1 - 2 years (inclusive)	187,567	154,874
2 - 3 years (inclusive)	115,720	131,189
After 3 years	<u>96,790</u>	<u>61,362</u>
Total	<u>630,973</u>	<u>570,944</u>

## 48 Interests in structured entities

### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the asset management schemes where the Group involves as manager or investment consultant and also as investor. The Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes to a level of such significance that it indicates that the Group is a principal.

As at 30 June 2017 and 31 December 2016, the Group consolidates 31 and 29 structured entities respectively, which are mainly asset management schemes. As at 30 June 2017 and 31 December 2016, the total assets of the consolidated structured entities are RMB76,149,440 thousand and RMB84,733,108 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB6,687,882 thousand and RMB6,808,105 thousand respectively.

## 48 Interests in structured entities (continued)

### (b) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 48(a), the Group's exposure to the variable returns in the rest structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 30 June 2017 and 31 December 2016, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB891,426,947 thousand and RMB835,989,087 thousand respectively. As at 30 June 2017 and 31 December 2016, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB983,053 thousand and RMB168,274 thousand respectively.

During the six months ended 30 June 2017 and 30 June 2016, income derived from these unconsolidated structured entities held by the Group amounted to RMB436,272 thousand and RMB173,345 thousand respectively.

### (c) Interests in structured entities sponsored by third party institutions

The types of structured entities sponsored by third party institutions that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June 2017 and 31 December 2016, which are listed as below:

	As at 30 June 2017		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	39,312	20,244,530	20,283,842
Wealth management products	11,783,323	3,354,968	15,138,291
<b>Total</b>	<b>11,822,635</b>	<b>23,599,498</b>	<b>35,422,133</b>

	As at 31 December 2016		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	688,970	22,744,645	23,433,615
Wealth management products	24,617,402	5,503,590	30,120,992
<b>Total</b>	<b>25,306,372</b>	<b>28,248,235</b>	<b>53,554,607</b>

## 49 Contingencies

As at 30 June 2017 and 31 December 2016, the Group was not involved in any material legal, arbitration or administrative proceedings, that if adversely determined, the Group expect would materially adversely affect its financial position or results of operations.

## 50 Related party relationships and transactions

### (a) Relationship of related parties

(i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders is set out in Note 50(b)(i).

(ii) Associates of the Group

The detailed information of the Group's associates is set out in Note 21.

(iii) Joint venture of the Group

The detailed information of the Group's joint venture is set out in Note 22.

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

## 50 Related party relationships and transactions (continued)

### (b) Related parties transactions and balances

#### (i) Transactions between the Group and major shareholders:

	As at 30 June 2017	As at 31 December 2016
<b>Balances at the end of the period/year:</b>		
<b>Accounts payable to brokerage clients</b>		
- Jiangsu Guoxin Investment Group Limited	50	50
- Jiangsu Communications Holding Company Limited	-	29
<b>Financial assets at fair value through profit or loss</b>		
- Jiangsu Communications Holding Company Limited	152,041	151,054
- Jiangsu Guoxin Investment Group Limited	10,136	10,300
<b>Other receivables and prepayments</b>		
- Jiangsu Communications Holding Company Limited	4,018	1,017
- Jiangsu Guoxin Investment Group Limited	144	391
<b>Other payables and accruals</b>		
- Jiangsu Guoxin Investment Group Limited	3,211	3,211
	Six months ended 30 June	
	2017	2016
<b>Transactions during the period:</b>		
<b>Fee and commission income</b>		
- Jiangsu Guoxin Investment Group Limited	32	39
<b>Net investment gains</b>		
- Jiangsu Communications Holding Company Limited	2,756	8,989
- Jiangsu Guoxin Investment Group Limited	230	1,459

## 50 Related party relationships and transactions (continued)

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

(ii) Transactions between the Group and associates and joint venture:

	As at 30 June 2017	As at 31 December 2016
<b>Balances at the end of the period/year:</b>		
<b>Available-for-sale financial assets</b>		
- China Southern Asset Management Co., Ltd.	-	685,796
<b>Financial assets at fair value through profit or loss</b>		
- Huatai-PineBridge Fund Management Co., Ltd.	2,982,598	5,548,104
- China Southern Asset Management Co., Ltd.	2,807,774	4,166,441
<b>Accounts receivable</b>		
- Jiangsu Huatai Strategic Emerging Industry Investment Fund (Limited Partnership)	24,671	-
- Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	12,165	8,288
- Nanjing Huatai Dajiankang NO.1 Equity Investment (Limited Partnership)	8,082	-
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	7,030	-
- China Southern Asset Management Co., Ltd.	5,241	15,785
- Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership)	4,935	-
- Jiangsu Industry and Information Industry Investment Fund (Limited Partnership)	595	-
- Nanjing Huatai Dajiankang NO.2 Equity Investment (Limited Partnership)	496	-
- Huatai-PineBridge Fund Management Co., Ltd.	433	18,316
- Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	-	3,444
<b>Other receivables and prepayments</b>		
- China Southern Asset Management Co., Ltd.	162,000	-
- Huatai-PineBridge Fund Management Co., Ltd.	-	461
<b>Accounts payable to brokerage clients</b>		
- China Southern Asset Management Co., Ltd.	72	65
- Huatai-PineBridge Fund Management Co., Ltd.	4	-



## 50 Related party relationships and transactions (continued)

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

(ii) Transactions between the Group and associates and joint venture: (continued)

	Six months ended 30 June	
	2017	2016
<b>Transactions during the period:</b>		
<b>Fee and commission income</b>		
- Nanjing Huatai Rulian NO.2 Funds Mergers (Limited Partnership)	27,943	-
- Jiangsu Huatai Strategic Emerging Industry Investment Fund (Limited Partnership)	23,392	-
- Beijing Huatai New Industry Growth Investment Fund (Limited Partnership)	23,278	-
- China Southern Asset Management Co., Ltd.	22,544	10,112
- Huatai-PineBridge Fund Management Co., Ltd.	14,143	6
- Nanjing Huatai Dajiankang NO.1 Equity Investment (Limited Partnership)	10,020	-
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	6,666	19,714
- Nanjing Huatai Rulian NO.3 Funds Mergers (Limited Partnership)	5,797	-
- Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	4,912	633
- Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership)	4,679	-
- Nanjing Huatai Dajiankang NO.2 Equity Investment (Limited Partnership)	970	-
- Jiangsu Industry and Information Industry Investment Fund (Limited Partnership)	564	594
- Nanjing Huatai Rulian NO.4 Funds Mergers (Limited Partnership)	501	-
<b>Net investment gains</b>		
- Huatai-PineBridge Fund Management Co., Ltd.	21,366	17,988
- China Southern Asset Management Co., Ltd.	19,598	12,870
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	-	460
<b>Other income and gains</b>		
- China Southern Asset Management Co., Ltd.	1,164	552

For the six months ended 30 June 2017 and 30 June 2016, the capital injection made by the Group into the associates and joint venture is RMB150,316 thousand and RMB116,100 thousand, respectively.

For the six months ended 30 June 2017 and 30 June 2016, the dividend received from associates is RMB192,870 thousand and RMB49,000 respectively.

## 50 Related party relationships and transactions (continued)

### (c) Key management personnel remuneration

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

	Six months ended 30 June	
	2017	2016
<b>Employee benefits</b>		
- Fees, salaries, allowances and bonuses	30,404	25,326
<b>Post-employment benefits</b>		
- Contribution to pension scheme	233	233
Total	<u>30,637</u>	<u>25,559</u>

Total remuneration is included in "staff costs" (see Note 11).

## 51 Segment reporting

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

- Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, and also selling securities products and services to institutional investor clients and providing professional research services to facilitate their investment decisions. Moreover, the activities of providing margin financing, securities lending, securities-backed lending and sell financial products are included in this segment.
- Investment banking segment provides investment banking services to the Group's corporate clients, including financial advisory, equity underwriting and debt underwriting as well as National Equities Exchange and Quotations and regional equity exchange-related services.
- Asset management segment manages the developing of asset management products and services based on the asset scale and clients' needs, provides traditional asset management services, and operates private equity asset management business through subsidiaries.
- Investment and trading segment engages in trading equity securities, fixed-income securities, derivatives, commodities and other financial products for own account for the objective of achieving investment income, developing and issuing Over-the-Counter ("OTC") financial products, and trading with counterparties over the counter.
- Overseas business and others segment includes the business of overseas and offshore subsidiaries and other operations of head office, including interest income and interest expense incurred for general working capital purpose.

## 51 Segment reporting (continued)

### (a) Business segments

For the six months ended 30 June 2017

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
- External	6,628,491	750,957	1,274,024	1,484,456	2,182,042	12,319,970
- Inter-segment	14,524	-	-	(170)	-	14,354
Other income and gains	37,232	5,252	8,375	318	73,134	124,311
Segment revenue and other income	6,680,247	756,209	1,282,399	1,484,604	2,255,176	12,458,635
Segment expenses	(4,119,277)	(504,184)	(576,640)	(650,448)	(2,850,275)	(8,700,824)
Segment operating profit/(loss)	2,560,970	252,025	705,759	834,156	(595,099)	3,757,811
Share of profit of associates and joint venture	-	-	626	-	228,665	229,291
Profit/(loss) before income tax	2,560,970	252,025	706,385	834,156	(366,434)	3,987,102
Interest income	3,685,625	72,401	281,563	6,137	384,235	4,429,961
Interest expenses	(1,625,608)	-	(88,640)	(526,893)	(467,043)	(2,708,184)
Depreciation and amortisation	(43,726)	(5,479)	(3,002)	(6,459)	(221,278)	(279,944)
Provision for impairment losses	(5,706)	-	-	-	-	(5,706)
Additions to non-current segment assets during the period	69,347	1,479	2,493	3,865	117,620	194,804
As at 30 June 2017						
Segment assets	172,712,912	3,137,223	95,523,366	49,061,925	169,637,072	490,072,498
Segment liabilities	(166,134,109)	(1,353,063)	(80,852,790)	(46,236,466)	(109,894,341)	(404,470,769)

## 51 Segment reporting (continued)

### (a) Business segments (continued)

For the six months ended 30 June 2016

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
- External	7,995,247	1,005,176	1,434,968	785,196	228,119	11,448,706
- Inter-segment	1,745	-	-	(212)	-	1,533
Other income and gains	55,902	21,014	(9,164)	54,206	17,606	139,564
Segment revenue and other income	8,052,894	1,026,190	1,425,804	839,190	245,725	11,589,803
Segment expenses	(4,869,560)	(597,041)	(559,001)	(418,148)	(1,453,535)	(7,897,285)
Segment operating profit/(loss)	3,183,334	429,149	866,803	421,042	(1,207,810)	3,692,518
Share of (loss)/profit of associates and joint venture	-	-	(6,419)	-	192,053	185,634
Profit/(loss) before income tax	3,183,334	429,149	860,384	421,042	(1,015,757)	3,878,152
Interest income	3,852,562	85,229	336,360	13,740	194,569	4,482,460
Interest expenses	(1,503,748)	-	(69,630)	(228,959)	(1,132,282)	(2,934,619)
Depreciation and amortisation	(51,891)	(5,921)	(1,333)	(4,969)	(123,567)	(187,681)
Reversal of/(provision for) impairment losses	3,338	2,211	(145)	-	(139)	5,265
Additions to non-current segment assets during the period	51,683	2,135	3,865	4,145	136,148	197,976
As at 31 December 2016						
Segment assets	187,696,676	4,983,973	105,455,226	47,338,971	177,226,039	522,700,885
Segment liabilities	(185,273,352)	(1,716,322)	(90,745,424)	(47,188,921)	(112,116,669)	(437,040,688)

## 51 Segment reporting (continued)

### (a) Business segments (continued)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	For the six months ended 30 June	
	2017	2016
<b>Revenue</b>		
Total revenue and other income for segments	12,458,635	11,589,803
Elimination of inter-segment revenue	<u>(38,520)</u>	<u>(8,503)</u>
Consolidated revenue and other income	<u>12,420,115</u>	<u>11,581,300</u>
<b>Profit</b>		
Total profit before income tax for segments	3,987,102	3,878,152
Elimination of inter-segment profit	<u>(239)</u>	<u>(140)</u>
Consolidated profit before income tax	<u>3,986,863</u>	<u>3,878,012</u>
	As at 30 June 2017	As at 31 December 2016
<b>Assets</b>		
Total assets for segments	490,072,498	522,700,885
Elimination of inter-segment assets	<u>(121,242,486)</u>	<u>(121,250,488)</u>
Consolidated total assets	<u>368,830,012</u>	<u>401,450,397</u>
<b>Liabilities</b>		
Total liabilities for segments	(404,470,769)	(437,040,688)
Elimination of inter-segment liabilities	<u>121,242,486</u>	<u>121,250,488</u>
Consolidated total liabilities	<u>(283,228,283)</u>	<u>(315,790,200)</u>

For the six months ended 30 June 2017 and 30 June 2016, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

## 51 Segment reporting (continued)

### (b) Geographical segments

The following table sets out information about the geographical location of: (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates and joint venture, and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets the location of the operation to which they are allocated, in the case of goodwill and other intangible assets and the location of operations, in the case of interest in associates and joint venture.

	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	Mainland China	Overseas	Total	Mainland China	Overseas	Total
<b>Segment revenue</b>						
Revenue from external customers	10,626,385	1,693,585	12,319,970	11,366,669	82,037	11,448,706
Other income and gains	83,907	16,238	100,145	139,327	(6,733)	132,594
<b>Total</b>	<b>10,710,292</b>	<b>1,709,823</b>	<b>12,420,115</b>	<b>11,505,996</b>	<b>75,304</b>	<b>11,581,300</b>
	As at 30 June 2017			As at 31 December 2016		
	Mainland China	Overseas	Total	Mainland China	Overseas	Total
<b>Specified non-current assets</b>	8,647,157	7,056,614	15,703,771	8,575,058	7,179,284	15,754,342

## 52 Financial instruments and risk management

The Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational risk from its use of financial instruments.

### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was mainly exposed to three types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending and securities-backed lending; (iii) counterparty credit risk from a counterparty's default on the OTC derivative transaction, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives.

## 52 Financial instruments and risk management (continued)

### (a) Credit risk (continued)

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risk of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk on regular basis. In respect of margin financing and securities lending, securities-backed lending and OTC derivative transaction, the Group evaluate the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and OTC derivative transaction and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

#### (i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	As at 30 June 2017	As at 31 December 2016
Held-to-maturity investments	5,000	5,000
Refundable deposits	8,148,886	8,158,628
Accounts receivable	962,491	991,413
Other receivables and prepayments	5,604,216	4,815,938
Margin accounts receivable	51,846,886	56,605,104
Available-for-sale financial assets	4,777,934	980,430
Financial assets held under resale agreements	47,152,848	46,331,182
Financial assets at fair value through profit or loss	60,115,782	52,345,113
Derivative financial assets	186,380	106,591
Clearing settlement funds	1,202,251	1,228,801
Cash held on behalf of brokerage clients	73,692,576	94,568,934
Bank balances	30,554,954	45,229,651
Total maximum credit risk exposure	<u>284,250,204</u>	<u>311,366,785</u>

## 52 Financial instruments and risk management (continued)

### (a) Credit risk (continued)

#### (i) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

	By geographical area		
	Mainland China	Outside Mainland China	Total
30 June 2017			
Held-to-maturity investments	5,000	-	5,000
Refundable deposits	8,139,866	9,020	8,148,886
Accounts receivable	650,826	311,665	962,491
Other receivables and prepayments	5,583,654	20,562	5,604,216
Margin accounts receivable	51,698,419	148,467	51,846,886
Available-for-sale financial assets	4,394,483	383,451	4,777,934
Financial assets held under resale agreements	46,641,977	510,871	47,152,848
Financial assets at fair value through profit or loss	58,185,310	1,930,472	60,115,782
Derivative financial assets	184,270	2,110	186,380
Clearing settlement funds	1,201,700	551	1,202,251
Cash held on behalf of brokerage clients	72,878,940	813,636	73,692,576
Bank balances	28,219,050	2,335,904	30,554,954
Total maximum credit risk exposure	277,783,495	6,466,709	284,250,204

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2016			
Held-to-maturity investments	5,000	-	5,000
Refundable deposits	8,150,415	8,213	8,158,628
Accounts receivable	593,295	398,118	991,413
Other receivables and prepayments	4,792,049	23,889	4,815,938
Margin accounts receivable	56,523,470	81,634	56,605,104
Available-for-sale financial assets	514,802	465,628	980,430
Financial assets held under resale agreements	46,194,762	136,420	46,331,182
Financial assets at fair value through profit or loss	51,008,899	1,336,214	52,345,113
Derivative financial assets	99,728	6,863	106,591
Clearing settlement funds	1,226,168	2,633	1,228,801
Cash held on behalf of brokerage clients	93,875,719	693,215	94,568,934
Bank balances	42,756,372	2,473,279	45,229,651
Total maximum credit risk exposure	305,740,679	5,626,106	311,366,785



## 52 Financial instruments and risk management (continued)

### (a) Credit risk (continued)

#### (iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amounts of debt securities at the end of the reporting period are categorised by rating distribution as follows:

	As at 30 June 2017	As at 31 December 2016
Rating		
- AAA	11,057,961	6,341,889
- From A to AA+	16,006,746	17,285,585
- A-1	639,118	719,150
- C	3,979	3,951
Sub-total	27,707,804	24,350,575
Non-rated <sup>(1)</sup>	36,600,279	26,928,346
Total	64,308,083	51,278,921

(1) Non-rated financial assets mainly represent debts instruments issued by the Ministry of Finance of the People's Republic of China, the PBOC, and policy banks, which are creditworthy issuers in the market, private bonds and trading securities, which are not rated by independent rating agencies.

## 52 Financial instruments and risk management (continued)

### (b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

Financial liabilities	As at 30 June 2017							Total	
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years		Undated
Short-term bank loans	457,000	-	-	460,812	-	-	-	-	460,812
Short-term debt instruments issued	6,922,790	-	188,097	1,682,568	5,270,461	-	-	-	7,141,126
Placements from financial institutions	5,500,000	-	-	5,623,411	-	-	-	-	5,623,411
Accounts payable to brokerage clients	77,639,580	77,639,580	-	-	-	-	-	-	77,639,580
Other payables and accruals	65,374,883	64,687,089	-	-	687,794	-	-	-	65,374,883
Financial assets sold under repurchase agreements	23,068,378	-	20,704,607	-	755,197	1,714,449	46,695	-	23,220,948
Derivative financial liabilities	1,116,061	-	72,458	157,047	273,793	612,763	-	-	1,116,061
Financial liabilities at fair value through profit or loss	22,676,298	46,938	1,162,632	-	7,669,714	8,534,370	5,433,784	-	22,847,438
Long-term bonds	65,788,899	-	623,640	-	14,354,779	53,142,603	6,306,000	-	74,427,022
<b>Total</b>	<b>268,543,889</b>	<b>142,373,607</b>	<b>22,751,434</b>	<b>7,923,838</b>	<b>29,011,738</b>	<b>64,004,185</b>	<b>11,786,479</b>	<b>-</b>	<b>277,851,281</b>

## 52 Financial instruments and risk management (continued)

### (b) Liquidity risk (continued)

Financial liabilities	As at 31 December 2016							Total	
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years		Undated
Short-term bank loans	460,255	-	3,270	4,970	461,970	-	-	-	470,210
Short-term debt instruments issued	1,621,000	-	1,392,049	161,743	83,383	-	-	-	1,637,175
Placements from financial institutions	6,650,000	-	1,167,442	5,583,417	-	-	-	-	6,750,859
Accounts payable to brokerage clients	92,728,837	92,728,837	-	-	-	-	-	-	92,728,837
Other payables and accruals	77,105,368	75,208,910	1,096,904	-	799,554	-	-	-	77,105,368
Financial assets sold under repurchase agreements	19,463,375	-	12,295,686	1,140,431	6,219,759	-	-	-	19,655,876
Derivative financial liabilities	864,011	-	2,308	108,455	114,993	638,255	-	-	864,011
Financial liabilities at fair value through profit or loss	27,919,978	358,231	29,251	1,313,185	1,065,096	20,479,074	5,215,892	-	28,460,729
Long-term bonds	75,847,816	-	6,354,000	1,016,767	21,972,662	49,237,793	6,612,000	-	85,193,222
<b>Total</b>	<b>302,660,640</b>	<b>168,295,978</b>	<b>22,340,910</b>	<b>9,328,968</b>	<b>30,717,417</b>	<b>70,355,122</b>	<b>11,827,892</b>	<b>-</b>	<b>312,866,287</b>

## 52 Financial instruments and risk management (continued)

### (c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return.

#### (i) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

## 52 Financial instruments and risk management (continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

The following tables indicate the assets and liabilities as at the end of the reporting periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

	As at 30 June 2017						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	
Financial assets							
Held-to-maturity investments	-	-	5,000	-	-	-	5,000
Available-for-sale financial assets	-	706,199	2,125,731	1,893,936	-	38,760,409	43,486,275
Financial assets held under resale agreements	6,719,044	3,771,253	28,362,793	8,225,036	74,722	-	47,152,848
Refundable deposits	1,887,711	-	-	-	-	6,261,175	8,148,886
Accounts receivable	-	-	-	-	-	962,491	962,491
Other receivables and prepayments	-	-	-	-	-	813,984	813,984
Margin accounts receivable	1,745,968	8,544,473	41,556,445	-	-	-	51,846,886
Financial assets at fair value through profit or loss	22,256,687	9,649,628	19,142,926	25,463,746	2,974,536	9,873,732	89,361,255
Derivative financial assets	-	4,971	-	-	-	181,409	186,380
Clearing settlement funds	1,202,251	-	-	-	-	-	1,202,251
Cash held on behalf of brokerage clients	73,692,576	-	-	-	-	-	73,692,576
Cash and bank balances	15,960,312	6,394,642	8,200,000	-	-	393	30,555,347
Total	123,464,549	29,071,166	99,392,895	35,582,718	3,049,258	56,853,593	347,414,179

**52 Financial instruments and risk management (continued)**

**(c) Market risk (continued)**

**(i) Interest rate risk (continued)**

Financial liabilities	As at 30 June 2017						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	
Short-term bank loans	-	(457,000)	-	-	-	-	(457,000)
Short-term debt instruments issued	(186,270)	(1,658,240)	(5,078,280)	-	-	-	(6,922,790)
Placements from financial institutions	-	(5,500,000)	-	-	-	-	(5,500,000)
Accounts payable to brokerage clients	(77,639,580)	-	-	-	-	-	(77,639,580)
Other payables and accruals	(312,110)	-	-	-	-	(65,062,773)	(65,374,883)
Financial assets sold under repurchase agreements	(20,692,768)	-	(732,000)	(1,596,915)	(46,695)	-	(23,068,378)
Derivative financial liabilities	-	(16,378)	-	-	-	(1,099,683)	(1,116,061)
Financial liabilities at fair value through profit or loss	(1,161,784)	-	(7,533,228)	(2,016,042)	-	(11,965,244)	(22,676,298)
Long-term bonds	(600,000)	-	(11,494,874)	(47,702,306)	(5,991,719)	-	(65,788,899)
<b>Total</b>	<b>(100,592,512)</b>	<b>(7,631,618)</b>	<b>(24,838,382)</b>	<b>(51,315,263)</b>	<b>(6,038,414)</b>	<b>(78,127,700)</b>	<b>(268,543,889)</b>
Net interest rate risk exposure	22,872,037	21,439,548	74,554,513	(15,732,545)	(2,989,156)	(21,274,107)	78,870,290

## 52 Financial instruments and risk management (continued)

### (c) Market risk (continued) (i) Interest rate risk (continued)

	As at 31 December 2016						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	
Financial assets							
Held-to-maturity investments	-	-	5,000	-	-	-	5,000
Available-for-sale financial assets	1,012,286	178,870	147,930	561,320	-	41,836,156	43,736,562
Financial assets held under resale agreements	8,829,847	4,333,892	24,237,047	8,930,396	-	-	46,331,182
Refundable deposits	2,524,843	-	-	-	-	5,633,785	8,158,628
Accounts receivable	-	-	-	-	-	991,413	991,413
Other receivables and prepayments	-	-	-	-	-	661,835	661,835
Margin accounts receivable	3,168,277	6,338,674	47,053,199	44,954	-	-	56,605,104
Financial assets at fair value through profit or loss	21,709,237	3,979,318	19,863,618	25,050,734	2,754,688	9,749,636	83,107,231
Derivative financial assets	-	6,236	4,834	-	-	95,521	106,591
Clearing settlement funds	1,228,801	-	-	-	-	-	1,228,801
Cash held on behalf of brokerage clients	94,568,934	-	-	-	-	-	94,568,934
Cash and bank balances	19,307,986	10,520,950	15,000,715	400,000	-	381	45,230,032
Total	152,350,211	25,357,940	106,312,343	34,987,404	2,754,688	58,968,727	380,731,313

**52 Financial instruments and risk management (continued)**

**(c) Market risk (continued)**

**(i) Interest rate risk (continued)**

Financial liabilities	As at 31 December 2016							Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing		
Short-term bank loans	(3,255)	-	(457,000)	-	-	-	(460,255)	
Short-term debt instruments issued	(1,381,000)	(160,000)	(80,000)	-	-	-	(1,621,000)	
Placements from financial institutions	(1,150,000)	(5,500,000)	-	-	-	-	(6,650,000)	
Accounts payable to brokerage clients	(92,728,837)	-	-	-	-	-	(92,728,837)	
Other payables and accruals	-	-	-	-	-	(77,105,368)	(77,105,368)	
Financial assets sold under repurchase agreements	(12,281,375)	(1,050,000)	(6,132,000)	-	-	-	(19,463,375)	
Derivative financial liabilities	(2,015)	(19,096)	(3,286)	-	-	(839,614)	(864,011)	
Financial liabilities at fair value through profit or loss	(29,251)	(1,313,185)	(1,055,600)	(13,722,800)	-	(11,799,142)	(27,919,978)	
Long-term bonds	(6,000,000)	(1,000,000)	(18,900,000)	(43,956,752)	(5,991,064)	-	(75,847,816)	
<b>Total</b>	<b>(113,575,733)</b>	<b>(9,042,281)</b>	<b>(26,627,886)</b>	<b>(57,679,552)</b>	<b>(5,991,064)</b>	<b>(89,744,124)</b>	<b>(302,660,640)</b>	
<b>Net interest rate risk exposure</b>	<b>38,774,478</b>	<b>16,315,659</b>	<b>79,684,457</b>	<b>(22,692,148)</b>	<b>(3,236,376)</b>	<b>(30,775,397)</b>	<b>78,070,673</b>	



## 52 Financial instruments and risk management (continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

##### Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	30 June 2017	31 December 2016
Move in yield curve		
Up 100 basis points	(582,334)	(486,257)
Down 100 basis points	605,119	504,109
	Sensitivity of equity	
	30 June 2017	31 December 2016
Move in yield curve		
Up 100 basis points	(613,160)	(487,657)
Down 100 basis points	636,752	505,529

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

## 52 Financial instruments and risk management (continued)

### (c) Market risk (continued)

#### (i) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar ("USD") and HKD at the reporting date would have increased/(decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

Currency	Sensitivity of net profit	
	30 June 2017	31 December 2016
USD	128,984	1,977
HKD	(55,341)	(54,442)
Currency	Sensitivity of equity	
	30 June 2017	31 December 2016
USD	98,330	(56,715)
HKD	(102,725)	(54,442)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity of may arise with this.

## 52 Financial instruments and risk management (continued)

### (c) Market risk (continued)

#### (iii) Price risk

The Group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and available-for-sale financial instruments. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the held for trading financial instruments and the proportionate fluctuation in the Group's equity due to the price fluctuation of the held for trading and available-for-sale financial instruments.

#### Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of net profit	
	30 June 2017	31 December 2016
Increase by 10%	394,247	73,554
Decrease by 10%	(394,247)	(73,554)

	Sensitivity of equity	
	30 June 2017	31 December 2016
Increase by 10%	3,303,337	3,282,411
Decrease by 10%	(3,303,337)	(3,282,411)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for the six months ended 30 June 2017 and the year of 2016.

## 52 Financial instruments and risk management (continued)

### (d) Capital management

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC and Hong Kong regulations.

As at 16 June 2016, Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Revised Administrative Measures") and Calculation Standard for Risk Control Indicators of Securities Companies were issued by the CSRC. The Company is required to meet the following standards for risk control indicators on a continual basis from 1 October 2016:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- (ii) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");
- (iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
- (iv) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");
- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");
- (vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 6");
- (vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8% ("Ratio 7");
- (viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 8");
- (ix) The ratio of available stable funds divided by required stable funds shall be no less than 100% ("Ratio 9"); and
- (x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400% ("Ratio 10").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

During the Period, the Company monitored the above ratios closely to maintain these ratios in compliance with the relevant capital requirements.

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC or Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the period ended 30 June 2017 and the year ended 31 December 2016.

## 52 Financial instruments and risk management (continued)

### (e) Transfer of financial assets

The Group transferred financial assets to certain counterparties through repurchase agreements, securities lending and asset-backed securities scheme. These securities, margin accounts receivable and securities-backed lending are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities, margin loans and securities-backed lending.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, margin accounts receivable and financial assets held under resale agreements. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable or securities-backed lending and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities, margin accounts receivable and financial assets held under resale agreements are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as fair value through profit or loss and available-for-sale financial assets. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

## 52 Financial instruments and risk management (continued)

### (e) Transfer of financial assets (continued)

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

As at 30 June 2017

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Margin accounts receivable		Financial assets held under resale agreements		Total
	Sales and repurchase agreements	Securities lending	Securities lending		Margin loans receivable backed repurchase	Asset-backed securities	Securities-backed lending		
Carrying amount of transferred assets	261,633	-	52,069		2,618,132	-	35,600		2,967,434
Carrying amount of associated liabilities	(252,564)	-	-		(2,200,000)	-	(32,000)		(2,484,564)
Net position	9,069	-	52,069		418,132	-	3,600		482,870

As at 31 December 2016

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Margin accounts receivable		Financial assets held under resale agreements		Total
	Sales and repurchase agreements	Securities lending	Securities lending		Margin loans receivable backed repurchase	Asset-backed securities	Securities-backed lending		
Carrying amount of transferred assets	-	-	-		7,431,807	-	1,366,900		8,798,707
Carrying amount of associated liabilities	-	-	-		(5,800,000)	-	(1,252,000)		(7,052,000)
Net position	-	-	-		1,631,807	-	114,900		1,746,707

## 52 Financial instruments and risk management (continued)

### (f) Offsetting financial assets and financial liabilities

The Group offsets the related financial assets and financial liabilities when the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

The Group has entered into master netting arrangements with counterparties for the derivative instruments.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on net basis.

Under the agreement of Continuous Net Settlement made between the Group and clearing house, money obligations receivables and payables with clearing house on the same settlement date are settled on net basis.

## 52 Financial instruments and risk management (continued)

### (f) Offsetting financial assets and financial liabilities (continued)

As at 30 June 2017

Financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statements of financial position	Net amounts of financial assets presented in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets	218,512	(32,132)	186,380	-	-	186,380
Total	218,512	(32,132)	186,380	-	-	186,380

Financial liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statements of financial position	Net amounts of financial liabilities presented in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Derivative financial liabilities	(1,135,041)	18,980	(1,116,061)	-	-	(1,116,061)
Other payables and accruals	(742,216)	66,778	(675,438)	-	-	(675,438)
Accounts payable	(763,734)	156,047	(607,687)	-	-	(607,687)
Total	(2,640,991)	241,805	(2,399,186)	-	-	(2,399,186)



## 52 Financial instruments and risk management (continued)

### (f) Offsetting financial assets and financial liabilities (continued)

As at 31 December 2016

Financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statements of financial position	Net amounts of financial assets presented in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position		Net amount
				Financial instruments	Cash collateral received	
Derivative financial assets	164,518	(57,927)	106,591	-	-	106,591
Accounts receivable	171,170	(1,129)	170,041	-	-	170,041
<b>Total</b>	<b>335,688</b>	<b>(59,056)</b>	<b>276,632</b>	<b>-</b>	<b>-</b>	<b>276,632</b>

Financial liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statements of financial position	Net amounts of financial liabilities presented in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Derivative financial liabilities	(874,765)	10,754	(864,011)	-	-	(864,011)
Other payables and accruals	(813,204)	99,784	(713,420)	-	-	(713,420)
<b>Total</b>	<b>(1,687,969)</b>	<b>110,538</b>	<b>(1,577,431)</b>	<b>-</b>	<b>-</b>	<b>(1,577,431)</b>

Except for the enforceable master netting arrangements and the offset-right of the financial instruments under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreements and financial assets sold under repurchase agreements are generally not on the net basis in the consolidated statement of financial position.

However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As at 30 June 2017 and 31 December 2016, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments, net exposure is insignificant after setting off the collaterals.

## 53 Fair value information

### (a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from financial institutions, short-term debt instruments issued, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.
- (ii) Financial instruments at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair values of held-to-maturity investments and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.
- (iv) Accounts receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

### (b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of held-to-maturity investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

#### Carrying amount

	As at 30 June 2017	As at 31 December 2016
<b>Financial assets</b>		
- Held-to-maturity investments	5,000	5,000
Total	<u>5,000</u>	<u>5,000</u>
<b>Financial liabilities</b>		
- Short-term debt instruments issued	(6,922,790)	(1,621,000)
- Long-term bonds	(65,788,899)	(75,847,816)
Total	<u>(72,711,689)</u>	<u>(77,468,816)</u>

## 53 Fair value information (continued)

### (b) Fair value of other financial instruments (carried at other than fair value) (continued)

#### Fair value

	As at 30 June 2017			
	Level I	Level II	Level III	Total
<b>Financial assets</b>				
- Held-to-maturity investments	-	5,002	-	5,002
<b>Total</b>	-	5,002	-	5,002
<b>Financial liabilities</b>				
- Short-term debt instruments issued	-	-	6,922,790	6,922,790
- Long-term bonds	64,526,353	-	900,000	65,426,353
<b>Total</b>	64,526,353	-	7,822,790	72,349,143
	As at 31 December 2016			
	Level I	Level II	Level III	Total
<b>Financial assets</b>				
- Held-to-maturity investments	-	5,091	-	5,091
<b>Total</b>	-	5,091	-	5,091
<b>Financial liabilities</b>				
- Short-term debt instruments issued	-	-	1,621,000	1,621,000
- Long-term bonds	70,813,922	-	4,900,000	75,713,922
<b>Total</b>	70,813,922	-	6,521,000	77,334,922

The fair values of the financial assets and financial liabilities included in the level II and III categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost and available-for-sale financial assets at cost less impairment in the Group's consolidated statements of financial position approximate their fair values.

## 53 Fair value information (continued)

### (c) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at 30 June 2017			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
- Debt securities	23,380,553	36,196,664	-	59,577,217
- Equity securities	5,318,577	810,023	-	6,128,600
- Funds	20,244,530	-	-	20,244,530
- Wealth management products	388,672	857,473	671,430	1,917,575
Financial assets designated at fair value through profit or loss				
- Equity securities	-	1,493,333	-	1,493,333
Available-for-sale financial assets				
- Debt securities	4,499,577	199,800	26,488	4,725,865
- Equity securities	7,145,485	8,481,139	11,174,977	26,801,601
- Funds	39,312	-	-	39,312
- Wealth management products	1,447,954	10,271,543	200,000	11,919,497
Derivative financial assets	16,793	54,739	114,848	186,380
<b>Total</b>	<b>62,481,453</b>	<b>58,364,714</b>	<b>12,187,743</b>	<b>133,033,910</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(453,962)	-	-	(453,962)
Financial liabilities designated at fair value through profit or loss	-	(10,304,030)	(11,918,306)	(22,222,336)
Derivative financial liabilities	(20,237)	(1,042,018)	(53,806)	(1,116,061)
<b>Total</b>	<b>(474,199)</b>	<b>(11,346,048)</b>	<b>(11,972,112)</b>	<b>(23,792,359)</b>

## 53 Fair value information (continued)

### (c) Fair value hierarchy (continued)

	As at 31 December 2016			
	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
- Debt securities	18,974,811	31,318,680	-	50,293,491
- Equity securities	4,379,288	186,218	-	4,565,506
- Funds	22,744,645	-	-	22,744,645
- Wealth management products	2,523,090	954,625	731,430	4,209,145
Financial assets designated at fair value through profit or loss				
- Equity securities	-	1,294,444	-	1,294,444
Available-for-sale financial assets				
- Debt securities	886,728	-	93,702	980,430
- Equity securities	9,092,231	6,883,073	10,361,224	26,336,528
- Funds	686,012	2,958	-	688,970
- Wealth management products	165,110	15,365,524	200,000	15,730,634
Derivative financial assets	8,005	78,345	20,241	106,591
<b>Total</b>	<b>59,459,920</b>	<b>56,083,867</b>	<b>11,406,597</b>	<b>126,950,384</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	(1,548,466)	-	-	(1,548,466)
Financial liabilities designated at fair value through profit or loss	-	(14,930,601)	(11,440,911)	(26,371,512)
Derivative financial liabilities	(6,240)	(847,361)	(10,410)	(864,011)
<b>Total</b>	<b>(1,554,706)</b>	<b>(15,777,962)</b>	<b>(11,451,321)</b>	<b>(28,783,989)</b>

For the six months ended 30 June 2017, there were no significant transfer among Level I, Level II and Level III of the fair value hierarchy.

For the year ended 31 December 2016, there was a transfer from Level III to Level II due to the listing of equity securities with lock-up period. There was no significant transfer among Level I and Level II.

#### (i) Financial instruments in Level I

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

## 53 Fair value information (continued)

### (c) Fair value hierarchy (continued)

#### (i) Financial instruments in Level II

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

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

#### (ii) Valuation methods for specific investments

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

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges, fair value is determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.
- (4) For debt securities traded through the inter-bank bond market and OTC market, fair values are determined using valuation techniques.
- (5) For gold leasing and derivative financial instruments, fair value is determined using valuation techniques.

## 53 Fair value information (continued)

### (c) Fair value hierarchy (continued)

#### (iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Available -for-sale financial assets	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2017	731,430	10,654,926	20,241	(11,440,911)	(10,410)	(44,724)
Gains or losses for the period	-	(499)	86,175	(351,349)	(39,289)	(304,962)
Changes in fair value recognised in other comprehensive income	-	309,685	-	-	-	309,685
Purchases	-	582,167	8,756	(126,046)	(13,081)	451,796
Sales and settlements	(60,000)	(144,814)	(324)	-	8,974	(196,164)
As at 30 June 2017	<u>671,430</u>	<u>11,401,465</u>	<u>114,848</u>	<u>(11,918,306)</u>	<u>(53,806)</u>	<u>215,631</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>-</u>	<u>-</u>	<u>80,583</u>	<u>(351,349)</u>	<u>(39,289)</u>	<u>(310,055)</u>

	Financial assets at fair value through profit or loss	Available -for-sale financial assets	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2016	1,444,571	9,298,723	156,585	-	(295)	10,899,584
Gains or losses for the period	5,522	8,183	(17,539)	(585,431)	2,550	(586,715)
Changes in fair value recognised in other comprehensive income	-	2,912,765	-	-	-	2,912,765
Purchases	60,000	4,432,424	-	(10,855,480)	(10,018)	(6,373,074)
Sales and settlements	(778,663)	(5,997,169)	(118,805)	-	(2,647)	(6,897,284)
As at 31 December 2016	<u>731,430</u>	<u>10,654,926</u>	<u>20,241</u>	<u>(11,440,911)</u>	<u>(10,410)</u>	<u>(44,724)</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>3,055</u>	<u>-</u>	<u>-</u>	<u>(585,431)</u>	<u>(3,575)</u>	<u>(585,951)</u>

## 53 Fair value information (continued)

### (c) Fair value hierarchy (continued)

#### (iv) Financial instruments in Level III (continued)

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

Financial assets and liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Private convertible bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
		Option pricing model	Stock price volatility	The higher the stock price volatility, the higher the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities arising from consolidation of private equity funds	Level III	Market comparable companies of the underlying portfolios	Discount for lack of marketability	The higher the discount, the lower the fair value
			Price of underlying assets	N/A
Over-the-counter options	Level III	Black-Scholes option pricing model	Price volatility of underlying assets	N/A

## 54 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2017

Up to the date of issue of the financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 30 June 2017 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.



## 54 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2017 (continued)

	Effective for accounting periods beginning on or after
IFRS 15, Revenue from contracts with customers	1-Jan-18
IFRS 9, Financial instruments	1-Jan-18
IFRS 16, Leases	1-Jan-19
Amendments to IAS 40, Investment Property	1-Jan-18
Amendments to IFRS 2, Share-based payment	1-Jan-18
Amendments to IFRS 10 and IAS 28, Sales or Contribution of Assets between An Investor and Its Associate or Joint Venture	No mandatory effective date yet determined
Annual Improvements 2014-2017 Cycle, Amendments to IFRS 1, IFRS 12, IAS 7, IAS 12 and IAS 28	

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except for the following.

### IFRS 9, Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the recognition in other comprehensive income of 'own credit risk' related gains and losses that are part of the fair value changes of financial liabilities designated as measured at fair value through profit or loss; this version of IFRS 9 also carried forward the derecognition requirements of IAS 39. In November 2013 the new requirements for general hedge accounting were added to IFRS 9. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. The implementation date of IFRS 9 is 1 January 2018.

Key requirements of IFRS 9 that are relevant to the Group are:

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

## 54 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2017 (continued)

### IFRS 9, Financial instruments (continued)

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. IFRS 9 requires an entity to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

Based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2017 and the facts and circumstances that exist at the date, the Group have performed a preliminary assessment of the impact of IFRS 9 to the Group's consolidated financial statements as follows:

- Application of IFRS 9 in the future may have impact on the classification and measurement of the Group's financial assets. The Group's debt investments of available-for-sale investments will either be measured at 1) fair value through profit or loss; 2) FVTOCI; 3) amortised cost. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.
- Financial assets measured at amortised costs under IFRS 9 and debt instruments classified as FVTOCI will be subject to impairment provision of IFRS 9. Generally, the impairment model of IFRS 9 will result in earlier loss recognition than that of IAS 39.
- The change in fair value of the Group's financial liabilities designated at fair value through profit or loss that is attributable to changes in credit risk could be presented in other comprehensive income.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future.

### IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5 steps approach to revenue recognition:

## 54 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2017 (continued)

### IFRS 15, Revenue from contracts with customers (continued)

- Step 1. Identify the contract(s) with the customer.
- Step 2. Identify the performance obligations in the contract.
- Step 3. Determine the transaction price.
- Step 4. Allocate the transaction price to the performance obligations in the contract.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group is in the process of assessing the potential impact on the financial statements resulting from the application of IFRS 15. So far it has concluded that the adoption of IFRS 15 is unlikely to have a significant impact on the Group's results of operations and financial position.

### IFRS 16, Leases

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 Leases and the related interpretations including IFRIC 4 Determining whether an arrangement contains a lease.

When IFRS 16 is adopted in the future, it is expected that certain portion of lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As set out in Note 47, total operating lease commitment of the Group in respect of rental payment as at 30 June 2017 amounted to RMB630.97 million (31 December 2016: RMB570.94 million). However, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cashflows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

## 55 Events after the reporting date

### (a) Redemption of subordinated bond

On 18 July 2017, Huatai Futures Co., Ltd. fully redeemed the subordinated bond with nominal value of RMB0.6 billion and interest of 23.64 million.

### (b) Issuance of subordinated bond

On 27 July 2017, the Company completed the issuance of the first tranche of subordinated bond. The subordinated bond with nominal value of RMB5 billion bears interest at 4.95% per annum with a maturity of 3 years.

## Index of Documents for Inspection >

Index of Documents for Inspection	Financial statements of the Company signed and sealed by the legal representative, the person responsible for accounting matters and the chief accountant
Index of Documents for Inspection	All documents and announcements of the Company as disclosed in the newspapers designated by the CSRC during the Reporting Period
Index of Documents for Inspection	Articles of Association

## Information Disclosure of Securities Companies >

### I. MAJOR ADMINISTRATIVE APPROVALS OF THE COMPANY

1. On March 2, 2017, the Company received the Reply on Approving Huatai Securities Co., Ltd. to Amend Important Provisions in the Articles of Association (Su Zheng Jian Xu Ke Zi [2017] No. 9) (《關於核准华泰證券股份有限公司變更公司章程重要條款的批覆》(蘇證監許可字 [2017]9 號));
2. On March 13, 2017, the Company received the Approval on Zhang Hui's Qualification to Work as a Manager-level Member of Senior Management in Securities Company (SuZheng Jian Xu Ke Zi [2017] No. 13) (《關於核准張輝證券公司經理層高級管理人員任職資格的批覆》(蘇證監許可字 [2017]13 號));
3. On March 13, 2017, the Company received the Approval on Wang Chong's Qualification to Work as a Manager-level Member of Senior Management in Securities Company (Su Zheng Jian Xu Ke Zi [2017] No. 14) (《關於核准王翀證券公司經理層高級管理人員任職資格的批覆》(蘇證監許可字 [2017]14 號));
4. On April 7, 2017, the Company received the Approval on the Qualification of Xu Feng as Director of Securities Company (Su Zheng Jian Xu Ke Zi [2017] No. 15) (《關於許峰證券公司董事任職資格的批覆》(蘇證監許可字 [2017]15 號));
5. On June 5, 2017, the Company received the Approval from Jiangsu SASAC for the Non-public Issuance of A Shares of Huatai Securities Co., Ltd. (Su Guo Zi Fu [2017] No. 33) (《江蘇省國資委關於同意华泰證券股份有限公司非公開發行 A 股股票有關事項的批覆》(蘇國資覆 [2017]33 號)).

### II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

According to the Classification of Securities Companies, the Company was rated AA under Category A in 2014 and 2015, and BBB under Category B in 2016.

## Appendix: Information Disclosures Index >

1. During the Reporting Period, the Company disclosed the following matters in China Securities Journal, the Shanghai Securities News, Securities Times and Securities Daily and on the website of the SSE (www.sse.com.cn):

No.	Date	Announcement
1	11/01/2017	Announcement on HTSC Business Operation and the Main Financial Information for December 2016, Announcement by HTSC on Resignation of Mr. Zhang Tao as Vice President of the Company and on Changes of Principal Person in Charge of the Subsidiary of the Company
2	16/01/2017	Announcement by HTSC on Payment of Principal and Interest in 2017 for the First Tranche of Subordinated Bonds under Private Placement of 2015 and Delisting thereof
3	20/01/2017	Announcement by HTSC on the Decision on Administrative and Supervisory Measure by CSRC received by the Company and the Holding Subsidiary of the Company
4	08/02/2017	Announcement on HTSC Business Operation and the Main Financial Information for January 2017
5	02/03/2017	Announcement by HTSC on the Resolutions of the Second Meeting of the Fourth Session of the Board
6	06/03/2017	Announcement by HTSC on Profit Distribution of Holding Subsidiaries
7	07/03/2017	Announcement on HTSC Business Operation and the Main Financial Information for February 2017
8	08/03/2017	Announcement by HTSC on the Listing of Corporate Bonds (the First Tranche) of 2017 Privately Placed by HTSC on the Shanghai Stock Exchange
9	18/03/2017	Announcement by HTSC on the Appointment of Chief Risk Officer
10	31/03/2017	2016 Annual Report of HTSC, the Internal Control Assessment Report of HTSC for 2016, 2016 Annual Report Summary of HTSC, Corporate Social Responsibility Report of HTSC for 2016, 2016 Annual Auditing Report, Auditing Report of Internal Control, Special Explanation on Non-operating Misappropriation of Funds and Transaction of Other Associated Funds for 2016, Announcement by HTSC on Resolutions of the Fourth Meeting of the Fourth Session of the Board, Announcement by HTSC on Resolutions of the Second Meeting of the Fourth Session of the Supervisory Committee, Announcement by HTSC on Anticipation of Ordinary Connected Transactions in 2017, Report on Performance of Duties of Audit Committee under the Board of HTSC in 2016, Report on Performance of Duties of Independent Directors of HTSC in 2016, Independent Opinion of HTSC Independent Directors on the Matters Concerning 2016 Annual Report of the Company, Independent Opinion of HTSC Independent Directors on the Company's Director Candidate
11	12/04/2017	Announcement on HTSC Business Operation and the Main Financial Information for March 2017, Announcement by HTSC on Payment for Interest in 2017 for the Second Tranche of Subordinated Bonds of 2015

No.	Date	Announcement
12	18/04/2017	Announcement by HTSC on the Amendments to the Company's Articles of Association, Articles of Association of HTSC (Revised in 2017)
13	26/04/2017	the Report on the Entrusted Affairs in Relation to the 2013 Corporate Bonds of HTSC (Year 2016)
14	27/04/2017	HTSC First Quarterly Report of the Company for 2017, Announcement by HTSC on Resolutions of the Fifth Meeting of the Fourth Session of the Board, Independent Opinion of Independent Director on Appointment of Senior Management of HTSC, Terms of Reference of the Committees of the Board of Directors of HTSC (Revised in 2017), Basic System for Risk Management of HTSC (Revised in 2017)
15	03/05/2017	Announcement by HTSC on Changes of Directors and Chief Executive Officer of the Subsidiary in Hong Kong
16	05/05/2017	Notice by HTSC on Convening 2016 Annual General Meeting, Document of HTSC 2016 Annual General Meeting
17	06/05/2017	Announcement on HTSC Business Operation and the Main Financial Information for April 2017
18	11/05/2017	Announcement by HTSC on Report on Tracking Rating of Corporate Bonds Issued in 2013, 2015 and 2016 and Subordinated Bonds Issued in 2015, Report on Tracking Rating of Corporate Bonds of HTSC Issued in 2013, 2015 and 2016, Report on Tracking Rating of Subordinated Bonds of HTSC Issued in 2015
19	17/05/2017	Announcement by HTSC on Issuance Results for the Corporate Bonds (the Second Tranche) under Private Placement in 2017
20	23/05/2017	Announcement by HTSC on Resignation of Mr. Zhang Haibo as Vice President of the Company
21	24/05/2017	Announcement by HTSC on Payment for Interest in 2017 for the Corporate Bonds of 2013
22	27/05/2017	Announcement by HTSC on Resolutions of the Sixth Meeting of the Fourth Session of the Board, Proposal of Private Issuance of A Shares by HTSC, Announcement by HTSC on Dilution of Current Returns as a Result of the Private Placement of A Shares and the Remedial Measures, Shareholders' Interim Return Plan of HTSC (2017-2019), Feasibility Analysis Report on the Use of Proceeds from the Private Placement of A Shares by HTSC, Assurance Report of the Report on the Use of Previously Raised Funds, Independent Opinion of HTSC Independent Directors on Shareholders' Interim Return Plan (2017-2019) of the Company
23	02/06/2017	Announcement by HTSC on Inclusion of an Interim Proposal for Approval at the 2016 Annual General Meeting, Document of HTSC 2016 Annual General Meeting
24	06/06/2017	The Second Notice of the 2016 Annual General Meeting of HTSC
25	07/06/2017	Announcement on HTSC Business Operation and the Main Financial Information for May 2017, Announcement by HTSC on Approval from Jiangsu SASAC in Relation to the Private Placement of A Shares
26	19/06/2017	Announcement on the Repayment of the Principal Together with the Interests and Delisting in 2017 in Relation to the Third Tranche of Subordinated Bonds of HTSC of 2015

No.	Date	Announcement
27	21/06/2017	Announcement by HTSC on Payment for Interest in 2017 for the Corporate Bonds (the First Tranche) of 2015
28	22/06/2017	Announcement by HTSC on Resolutions of the Annual General Meeting in 2016, Working System for Independent Directors of HTSC (Revised in 2017), Legal Opinion of the Annual General Meeting of HTSC in 2016
29	23/06/2017	Report of the Entrusted Manager in Relation to the Third Tranche of Subordinated Bonds of HTSC of 2015 (Year 2016)
30	24/06/2017	Report of the Entrusted Management Affairs in Relation to the Second Tranche of Subordinated Bonds of HTSC of 2015 (Year 2016)
31	27/06/2017	Announcement by HTSC on Resolutions of the 7th Meeting of the Fourth Session of the Board
32	28/06/2017	Report on the Entrusted Management Affairs in Relation to the Corporate Bonds (the First Tranche) of HTSC of 2016 (Year 2016), Report on the Entrusted Management Affairs in Relation to the Corporate Bonds (the Second Tranche) of HTSC of 2016 (Year 2016), Report on the Entrusted Management Affairs in Relation to the Subordinated Bonds (the First Tranche) of HTSC of 2016 (Year 2016), Report on the Entrusted Management Affairs in Relation to the Subordinated Bonds (the Second Tranche) of HTSC of 2016 (Year 2016)
33	29/06/2017	Report on the Entrusted Management Affairs in Relation to the Corporate Bonds (the First Tranche) of HTSC of 2015 (Year 2016), Report on the Entrusted Management Affairs in Relation to Public Issuance of Corporate Bonds (the First Tranche) of HTSC of 2015 (Year 2016)

**2. During the Reporting Period, the Company disclosed the following matters on the website of Hong Kong Exchanges ([www.hkexnews.hk](http://www.hkexnews.hk)):**

No.	Date	Announcement
1	06/01/2017	Monthly Return of Equity Issuer on Movements in Securities for the month ended December 31, 2016
2	10/01/2017	Announcement on Key Financial Information for December 2016, Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on the resignation of Mr. Zhang Tao as the vice president of the Company and Changes of Principal Person in Charge of the Subsidiary of the Company
3	13/01/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Payment of Principal and Interest in 2017 for the First Tranche of Subordinated Bonds under Private Placement of 2015 and Delisting thereof
4	19/01/2017	Announcement on Receipt of Notice of Administrative Regulatory Measures from the CSRC
5	03/02/2017	Monthly Return of Equity Issuer on Movements in Securities for the month ended January 31, 2017
6	07/02/2017	Announcement on Key Financial Information for January 2017



No.	Date	Announcement
7	01/03/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Resolutions of the 2nd Meeting of the Fourth Session of the Board
8	03/03/2017	Monthly Return of Equity Issuer on Movements in Securities for the month ended February 28, 2017
9	05/03/2017	Announcement on Profit Distribution from Holding Subsidiary
10	06/03/2017	Announcement on Key Financial Information for February 2017
11	16/03/2017	Date of Board Meeting
12	17/03/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on the Appointment of Chief Risk Officer
13	31/03/2017	Announcement for the Annual Results for the Year Ended December 31, 2016, Announcement on Resolutions of Board Meeting, Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Resolutions of the 4th Meeting of the Fourth Session of the Board, Announcement by Huatai Securities Co., Ltd. on Resolutions of the 2nd Meeting of the Fourth Session of the Supervisory Committee, Announcement by Huatai Securities Co., Ltd. on Anticipation of Ordinary Connected Transactions in 2017, Evaluation Report of Internal Control of Huatai Securities Co., Ltd. for 2016, Report on Performance of Duties of Audit Committee under the Board of Huatai Securities Co., Ltd. in 2016, Independent Opinion of Independent Directors of Huatai Securities Co., Ltd. on the Matters Concerning 2016 Annual Report of the Company, Independent Opinion of Independent Directors of Huatai Securities Co., Ltd. on the Company's Director Candidate, Report on Performance of Duties of the Independent Directors of Huatai Securities Co., Ltd. in 2016, 2016 Corporate Social Responsibility Report of Huatai Securities Co., Ltd., HTSC Audit Report of Internal Control of Huatai Securities Co., Ltd., HTSC Special Explanation on Non-operating Misappropriation of Funds and Transaction of Other Associated Funds of Huatai Securities Co., Ltd. for 2016
14	07/04/2017	Monthly Return of Equity Issuer on Movements in Securities for the month ended March 31, 2017
15	11/04/2017	Announcement on Key Financial Information for March 2017, Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Payment for Interest in 2017 for the Second Tranche of Subordinated Bonds of 2015
16	12/04/2017	Date of Board Meeting
17	18/04/2017	Articles of Association of Huatai Securities Co., Ltd. (Revised in 2017), Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Changes of Articles of Association
18	25/04/2017	Overseas Regulatory Announcement — Report on the Entrusted Management Affairs in Relation to the Corporate Bonds of Huatai Securities Co., Ltd. of 2013 (Year 2016)

No.	Date	Announcement
19	26/04/2017	2016 Annual Report, First Quarterly Report of 2017, Announcement on Resolutions of the Board Meeting, Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholder, Terms of Reference of the Committees of the Board of Directors, Overseas Regulatory Announcement — Terms of Reference of the Committees of the Board of Directors of Huatai Securities Co., Ltd. (Revised in 2017), Announcement by Huatai Securities Co., Ltd. on Resolutions of the 5th Meeting of the Fourth Session of the Board, Basic System for Risk Management of Huatai Securities Co., Ltd. (Revised in 2017)
20	27/04/2017	Update Announcement on Appointment of Joint Company Secretary, Overseas Regulatory Announcement — Independent Opinion of Independent Director on Appointment of Senior Management of Huatai Securities Co., Ltd.
21	02/05/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Changes of Directors and Chief Executive Officer of Subsidiaries in Hong Kong
22	04/05/2017	Monthly Return of Equity Issuer on Movements in Securities for the month ended April 30, 2017, Circular of 2016 Annual General Meeting, Notice of AGM, Reply Slip for Holders of H Shares for Attending the AGM to be Held on June 21, 2017, Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholders, Form of Proxy of Holders of H Shares for Use at the AGM to be Held on June 21, 2017, Overseas Regulatory Announcement — Document of 2016 Annual General Meeting of Huatai Securities Co., Ltd.
23	05/05/2017	Announcement on Key Financial Information for April 2017
24	10/05/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Report on Tracking Rating of Corporate Bonds Issued in 2013, 2015 and 2016 and Subordinated Bonds Issued in 2015, Report on Tracking Rating of Subordinated Bonds of Huatai Securities Co., Ltd. Issued in 2015, Report on Tracking Rating of Corporate Bonds of Huatai Securities Co., Ltd. Issued in 2013, 2015 and 2016
25	16/05/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Issuance Results for the Corporate Bonds (the Second Tranche) under Private Placement of 2017
26	22/05/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Resignation of Mr. Zhang Haibo as Vice President of the Company
27	23/05/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Payment for Interest in 2017 for the Corporate Bonds of 2013

No.	Date	Announcement
28	26/05/2017	Proposed Non-public Issuance of New A Shares and Proposed Authorization, Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Resolutions of the 6th Meeting of the Fourth Session of the Board, Proposal by Huatai Securities Co., Ltd. on Non-public Issuance of A Shares, Shareholders' Interim Return Plan of Huatai Securities Co., Ltd. (2017-2019), Feasibility Analysis Report on the Use of Proceeds Raised from the Non-Public Issuance of A Shares of Huatai Securities Co., Ltd., Assurance Report on the Use of Previously Raised Funds of Huatai Securities Co., Ltd. for the month ended December 31, 2016, Announcement by Huatai Securities Co., Ltd. on Dilution of Current Returns as a Result of the Private Placement of A Shares and the Remedial Measures, Independent Opinion of Independent Director of Huatai Securities Co., Ltd. on the Company's Shareholders' Interim Return Plan (2017-2019)
29	01/06/2017	Revised Notice of AGM, Overseas Regulatory Announcement — Document of Huatai Securities Co., Ltd. 2016 Annual General Meeting, Announcement by Huatai Securities Co., Ltd. on Inclusion of an Interim Proposal for Approval at the 2016 Annual General Meeting
30	05/06/2017	Monthly Return of Equity Issuer on Movements in Securities for the month ended May 31, 2017, Overseas Regulatory Announcement — The Second Notice of 2016 Annual General Meeting
31	06/06/2017	Overseas Regulatory Announcement — Announcement by HTSC Securities Co., Ltd. on Approval from Jiangsu SASAC in Relation to the Private Placement of A Shares, Announcement on Key Financial Information for May 2017
32	07/06/2017	Grant of General Mandate to Issue Shares, Proposed Non-public Issuance of New A Shares, Proposed Amendments to the Articles of Association and Revised Notice of AGM, Revised Form of Proxy, Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholders
33	18/06/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Repayment of the Principal Together with the Interests in 2017 for the Third Tranche of Subordinated Bonds of 2015 and Delisting Thereof
34	20/06/2017	Overseas Regulatory Announcement — Announcement by Huatai Securities Co., Ltd. on Payment for Interest in 2017 for the Corporate Bonds (the First Tranche) of 2015
35	21/06/2017	Overseas Regulatory Announcement — Working System for Independent Directors of Huatai Securities Co., Ltd. (Revised in 2017), Legal Opinion of Huatai Securities Co., Ltd. 2016 Annual General Meeting
36	22/06/2017	Poll Results of the Annual General Meeting for 2016, Change of Non- executive Directors, Approval of Payment of Final Dividend and Non- Public Issuance of New A Shares and Effectiveness of Approval of the Articles of Association, List of Directors and their Role and Function, Overseas Regulatory Announcement — Report of the Entrusted Manager in Relation to the Third Tranche of Subordinated Bonds of Huatai Securities Co., Ltd. of 2015 (Year 2016)

No.	Date	Announcement
37	23/06/2017	Overseas Regulatory Announcement — Report on the Entrusted Management Affairs in Relation to the Second Tranche of Subordinated Bonds of Huatai Securities Co., Ltd. of 2015 (Year 2016)
38	26/06/2017	Changes to the Composition of Nomination Committee and Remuneration and Appraisal Committee, List of Directors and their Role and Function
39	27/06/2017	Overseas Regulatory Announcement — Report on the Entrusted Management Affairs in Relation to Corporate Bonds (the First Tranche) of Huatai Securities Co., Ltd. of 2016 (Year 2016), Report on the Entrusted Management Affairs in Relation to Corporate Bonds (the Second Tranche) of Huatai Securities Co., Ltd. of 2016 (Year 2016), Report on the Entrusted Management Affairs in Relation to Subordinated Bonds (the First Tranche) of Huatai Securities Co., Ltd. of 2016 (Year 2016), Report on the Entrusted Management Affairs in Relation to Subordinated Bonds (the Second Tranche) of Huatai Securities Co., Ltd. of 2016 (Year 2016)
40	28/06/2017	2016 Environmental, Social and Governance Report
41	29/06/2017	Overseas Regulatory Announcement — Report on the Entrusted Management Affairs in Relation to Corporate Bonds (the First Tranche) of Huatai Securities Co., Ltd. of 2015 (Year 2016)

