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

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

Stock code: 1456

Interim Report 2018

Contents

Company Information

COMPANY NAME

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

LEGAL REPRESENTATIVE

Mr. Yao Zhiyong

DIRECTORS

Executive Directors

Mr. Peng Yanbao (President)

Non-executive Directors

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

Independent Non-executive Directors

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

SUPERVISORS

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

BOARD COMMITTEES

Strategy Committee

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

Remuneration and Nomination Committee

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

Audit Committee

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

Risk Control Committee

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

SECRETARY OF THE BOARD

Mr. Li Zhengquan

COMPANY SECRETARY

Ms. Lin Fanyu

AUTHORIZED REPRESENTATIVES

Mr. Yao Zhiyong
Mr. Peng Yanbao

HEADQUARTERS IN THE PRC

Registered address of the Company:
No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
Office address of the Company:
12th Floor, No. 8 Jinrong One Street,
Wuxi, Jiangsu Province, the PRC
Website of the Company: www.glsc.com.cn
E-mail: glsc-ir@glsc.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Sunlight Tower, 248 Queen's Road East, Wanchai,
Hong Kong

ACCOUNTANTS

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

LEGAL ADVISOR AS TO HONG KONG LAW

Clifford Chance

STOCK CODE

Hong Kong Stock Exchange H Shares Stock Code: 01456

SHARE REGISTRAR

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

Financial Highlights

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

PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	Six months Ended 30 June 2018	Six months Ended 30 June 2017	Variance in comparison with the corresponding period of last year (%)
Operating results（RMB'000）			
Total revenue and other income	**847,113**	806,815	4.99
Profit before income tax	**181,115**	307,166	-41.04
Interim profit-attributable to the Company's shareholders	**133,498**	237,931	-43.89
Net cash inflows/(outflows) from operating activities	**930,057**	-1,414,162	–
Earnings per share (RMB/share)			
Basic earnings per share	**0.07**	0.13	-46.15
Diluted earnings per share	**0.07**	0.13	-46.15
Profitability index			
– Return on equity (note 1) (%)	**1.74**	3.15	Decreased by 1.41 percentage points

Items	As at 30 June 2018	As at 31 December 2017	Variance in comparison with the end of last year (%)
Scale indicators (RMB'000)			
Total assets	**25,198,290**	24,065,998	4.70
Total liabilities	**17,466,196**	16,473,426	6.03
Accounts payable to brokerage clients	**6,770,224**	6,879,052	-1.58
Equity attributable to the Company's shareholders	**7,732,094**	7,592,572	1.84
Share capital ('000 shares)	**1,902,400**	1,902,400	0.00
Net asset value per share attributable to the Company's shareholders (RMB/share)	**4.06**	3.99	1.75
Liability-asset ratio (note 2) (%)	**58.04**	55.82	Increased by 2.22 percentage points

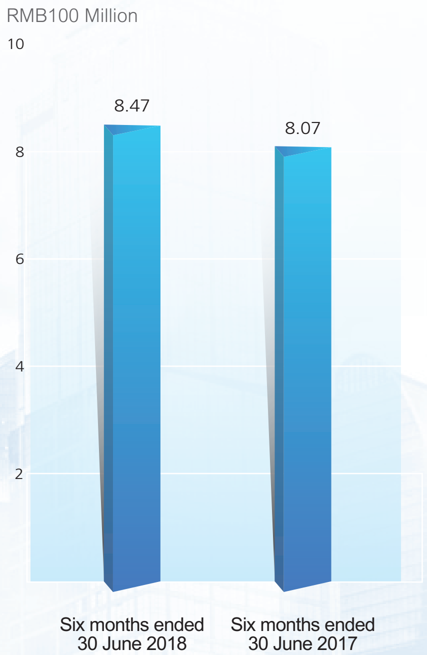
Notes:

1. Profit attributable to the Company's shareholders divided by the average balance of the equity attributable to the Company's shareholders as at the beginning and as at the end of the period

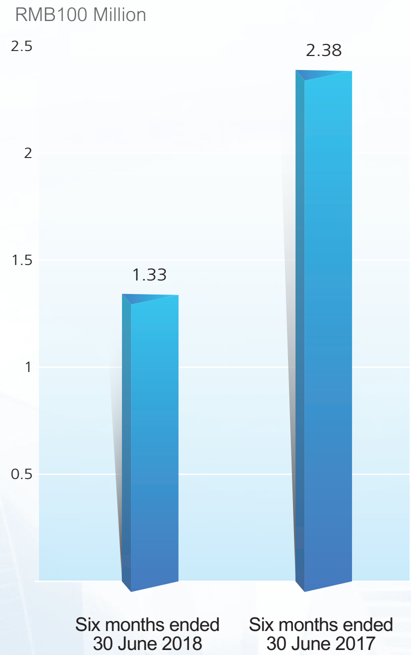
2. Liability-asset ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Financial Highlights

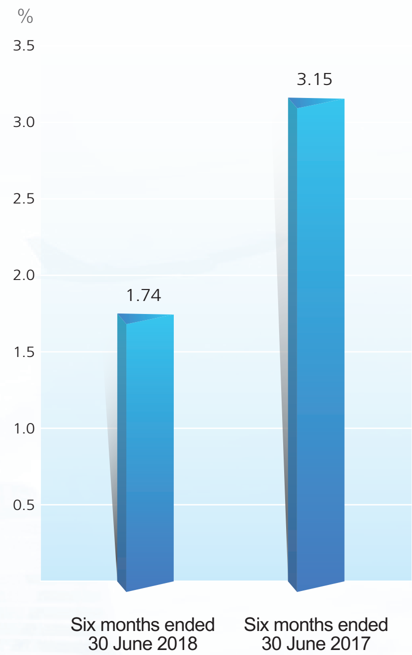
Total revenue and other income



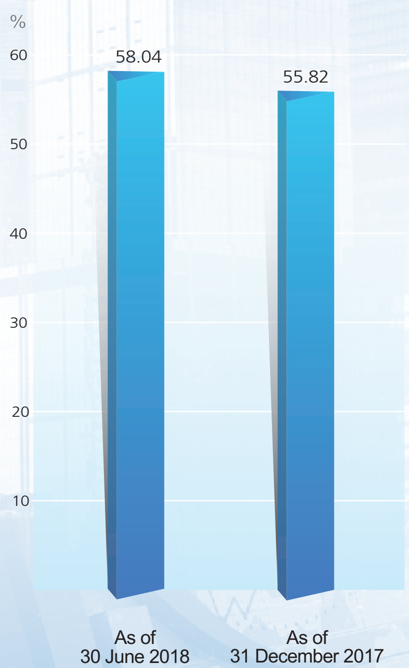
Interim profit-attributable to the Company's shareholders



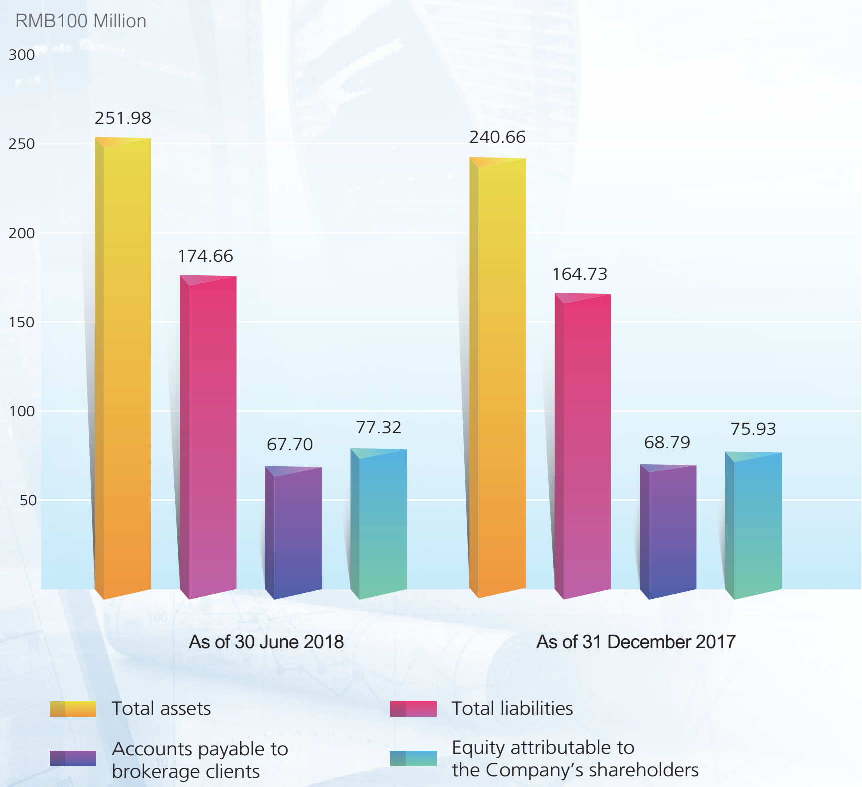
Return on equity



Liability-asset ratio



Scale indicators



I. ECONOMIC ENVIRONMENT AND MARKET CONDITIONS DURING THE REPORTING PERIOD

(1) Economic Environment

Under the impact of global monetary-easing since 2009, the world economy began to pick up in the second half of 2016. In 2018, the global economy continues its growth momentum with rising inflation, while its marginal recovery momentum diminished due to tightening up of national monetary policy. Furthermore, trade protectionism initiated by USA also poses global risk. The PMI of major economies went down in various degrees, and comparatively speaking, USA has outperformed the rest of the world. The OECD indicators showed that the US economy has excelled others with its unemployment rate remained at low level, and even hit the rock-bottom low in May of 3.8% for the past 18 years. The inflation indicators continued to rise with core CPIs increased by 2.2% year-on-year in June. Interest rate was increased twice in the first half year as expected and increase for another 1-2 occasions will be expected in the second half year. The recovery in Europe has been slowed down and despite both employment and inflation indicators had demonstrated that the economies are still on recovery path, the manufacturing PMIs in Eurozone continued to drop this year from its record high of 60.6 at the end of last year to 54.9 in June this year. The consumer confidence index also fell from its high level. Italy's political turmoil posed a short-term bombardment in the first half year. However, it was also seen as a microcosm of the risks exposed to Europe to a certain extent. Japan's recovery momentum has also been weakened, its GDP in the second quarter in 2018 only increased by 1.0% year-on-year and was lower than that of last year, and import and export trade fluctuated and went down, with its export and import amount in June increased 6.74% and 2.55% year-on-year respectively. With a robust US economy, the US Dollar picked up its upward trend which led to relatively greater currency depreciation pressure for emerging markets with Brazilian Real and Russian Ruble depreciated significantly by 16.42% and 8.95% respectively in the first half year and financial crises were seen in Argentina and Turkey one after another. China's economy continued its medium-to-high speed growth, but the growth momentum slowed down when compared with last year due to those factors such as trade wars and domestic financial regulation. The GDP in the second quarter increased by 6.7% year-on-year, decreased by 0.1 percentage points than the first quarter. The growth in fixed asset investment fell back to 6.0% in first six months from 7.9% at beginning of the year. The growth in foreign trade also downshifted and the stimulation of net export of goods and services to GDP reduced from 0.60% in 2017 to -0.67% in the first half year. However, the economy also showed strong resilience momentum at the same period of time with profit growth rate of PPI and industrial enterprise still kept at a relatively high level.

[1] The relevant data in this section (the operation environment and market conditions during the Reporting Period) all come from Wind Information, and the observation interval was from the beginning of 2018 to 30 June 2018, and the time of extracting data was on 15 July 2018 (if the statisticians revise the data subsequently, then there may be a minor deviation with the extracted value).

(2) Market Conditions

With global economic recovery weakened, global capital markets had also migrated from an overall growth layout in 2017 to a fluctuation situation in 2018. Among which, NASDAQ was best performed but Shenzhen Component Index and Shanghai Composite Index of A shares underperformed when compared with major countries. As at 30 June, SSE Composite Index decreased by 13.90% to 2,847.42 points while SZSE Component Index decreased by 15.04% to 9,379.47 points and GEM Index dropped by 8.33% to 1,606.71 points in the first half year. During the Reporting Period, the trading volume of SSE Composite Index and SZSE Component Index were RMB23.71 trillion and RMB28.51 trillion, representing an increase of 1.32% and a drop of 0.11% respectively as compared with the same period of last year. In the first half of 2018, the balance of margin financing and securities lending on Shanghai Stock Exchange and Shenzhen Stock Exchange fluctuated slightly. As at the end of June, the balance of margin financing and securities lending was RMB919.330 billion, decreased by 10.41% from the beginning of the year. During the Reporting Period, a total of 63 companies were initially listed and issued their A shares and the actual proceeds raised amounted to RMB92.287 billion. A total of 177 companies conducted private placements and the actual proceeds raised was RMB367.761 billion. The number of newly listed companies on the NEEQ was 320 in the first half of the year, representing a decrease of 75.59% as compared with the same period of last year. Under a neutral monetary policy, the bonds market began to bounce back and the yield of 10-year treasury bonds decreased by 41 basis points to 3.48% in the first half year; the bonds issuing size in the first half year increased by 13.78% as compared to the same period of last year and the total value was RMB20.54 trillion. For the foreign exchange market, as affected by US Dollar appreciation, Renminbi depreciated by 824 basis points to 6.62 against US Dollar in the first half of 2018.

II. GENERAL OPERATING SITUATION

During the Reporting Period, benefiting from development of investment banking and credit businesses, the revenue and other income recorded by the Group was RMB847 million, representing an increase of 4.99% year-on-year. As the scale of credit business grew, related expenses increased simultaneously and net profit attributable to the Company's shareholders was RMB133 million, representing a decrease of 43.89% year-on-year.

As at the end of the Reporting Period, the Group's total assets amounted to RMB25.198 billion, representing an increase of 4.70% from RMB24.066 billion at the beginning of year. Total liabilities were RMB17.466 billion, representing an increase of 6.03% from RMB16.473 billion at the beginning of year. Equity attributable to the Company's shareholders amounted to RMB7.732 billion, representing an increase of 1.84% from RMB7.593 billion at the beginning of year. The liability-asset ratio of the Group was 58.04%, representing an increase of 2.22 percentage points from 55.82% at the beginning of year.

III. ANALYSIS OF PRINCIPAL BUSINESS

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

(1) Brokerage Business

During the Reporting Period, the revenue and other income from our brokerage business was RMB300 million, representing a year-on-year decrease of 16.07%.

1. Securities Brokerage

During the Reporting Period, the securities brokerage business had always adhered to its customer-oriented approach, enhanced comprehensively in customer experience, actively strengthened its product sales efforts, and improved its product sales system. It established an investment consultancy business model, built up an investment consultancy service brand, enriched the content of smart investment consultancy, and propelled quantitative trading research. It enhanced active service capabilities and promoted smart customer service projects steadily. Through mutually integrating its business and services, it is able to achieve the goal of "enlarging customer base and expanding customer assets" effectively.

According to the statistics of the comprehensive information system under the supervision of CSRC, in the first half of 2018, the net income from agency sales of securities of the Company was RMB154 million, representing a year-on-year decrease of 20.21% and ranked 50th in the industry. During the Reporting Period, the agency transaction volume from the brokerage business of the Company (stocks and funds) was RMB561.993 billion with a market share of 0.49%, representing a decrease of 14.04% as compared with the same business period of 2017.

As at the end of the Reporting Period, the number of business accounts opened in the Company for Shanghai-Hong Kong Stock Connect were 8,439. During the Reporting Period, the trading volume from Shanghai-Hong Kong Stock Connect business was HKD1.294 billion, representing an increase of 94.88% over the same period of 2017. The number of business accounts opened in the Company for Shenzhen-Hong Kong Stock Connect were 3,396. During the Reporting Period, the trading volume from Shenzhen-Hong Kong Stock Connect business was HKD1.048 billion, representing an increase of 340.34% over the same period of 2017.

2. Other Services

During the Reporting Period, the sales volume of financial products of the Company was RMB17.738 billion, representing a year-on-year increase of 16.37%. Among others, the sales volume of our self-developed asset management products was RMB15.022 billion, representing a year-on-year increase of 0.69%. The sales volume of third-party fund products was RMB1.633 billion, representing a year-on-year increase of 704.43%, and the sales volume of third-party trust products was RMB383 million, representing a year-on-year increase of 216.53%. The third-party commercial bank wealth management business was RMB73 million and other financial products was RMB627 million.

In order to satisfy the diversified wealth management needs of its customers, the Company continued to provide futures IB business. As at the end of the Reporting Period, the Company had 39 securities branches in total with futures IB business qualifications to conduct futures IB business, and had 1,624 existing accounts of commodity futures of the futures IB business and 329 existing accounts of financial futures. During the Reporting Period, the commodity futures had 27 newly-opened accounts and 4 newly-opened accounts for financial futures.

During the Reporting Period, the SSE 50ETF options market operated smoothly and orderly. The Company's option business developed steadily and recorded a commission income of RMB1.0781 million, representing a decrease of 1.91% year-on-year. As at the end of Reporting Period, the number of existing contract accounts of the Company for options brokerage business on the SSE was 1,355. During the Reporting Period, the Company's accumulated total number of contracts for options brokerage business on the SSE was 423,500, accounted for 0.284% of the cumulative share of market turnover volume.

(2) Investment Banking Business

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

During the Reporting Period, the capital market remained sluggish and external supervision continued to be stringent. In responding to the dual challenges of external policies and market competition, Hua Ying Securities constantly increased its project reserves, further strengthend the efforts in market development in its Wuxi headquarters, and focused on exploring integrated financial businesses, and continued to improve its business and management system to accelerate the growth of stock business and new business development. During the Reporting Period, Huaying Securities added 34 new projects, 69 pre-established projects, and 225 reserved projects. According to the statistics of Securities Association of China, in the first half of 2018, for the first time, the ranking of Huaying Securities climbed up to the 30th and 37th respectively in terms of net income from securities underwriting and sponsoring business and income from investment banking business. The Company conducted proactive efforts in expanding the market of the NEEQ business, improved the institutional construction and risk control systems, and strengthened the follow-up listing services while giving due considerations to the NEEQ business.

During the Reporting Period, the revenue and other income from our investment banking business was RMB174 million, representing an increase of 56.43% year-on-year.

1. Equity Financing

During the Reporting Period, Hua Ying Securities completed 1 equity project in total which was an IPO underwriting and sponsorship project, underwriting an amount of RMB834 million. According to the statistics of Wind, during the Reporting Period, the underwriting amount and underwriting income of Hua Ying Securities was ranked 25th and 23rd respectively in the industry, the best results in its history. As at the end of the Reporting Period, Hua Ying Securities still had 2 equity project applications under review by CSRC.

2. **Debt Financing**

During the Reporting Period, Hua Ying Securities completed 5 bonds lead-underwriting projects and 1 bonds distribution project, underwriting a total amount of RMB4.240 billion. As at the end of the Reporting Period, Hua Ying Securities either obtained approvals or pending issuance of 11 bonds projects, with a pending issuance amount of RMB19.9 billion, and 10 bonds project applications are under review.

3. **Financial Advisory**

During the Reporting Period, Hua Ying Securities completed 8 financial advisory projects in total, generated net financial advisory income of RMB17.1660 million.

4. **NEEQ**

During the Reporting Period, the Company completed 4 listing and referral projects with listing and referral business volume ranked 23rd (Source: Wind, similar hereinafter). As at the end of the Reporting Period, the Company completed 125 NEEQ listing and referral projects cumulatively with accumulated listing and referral business volume ranked 33rd in the industry. Another 4 NEEQ listing and referral projects of the Company were still under review by the regulatory authorities.

As at the end of the Reporting Period, the Company participated in online arrangements for 49 market-making stocks, ranked 48th in market-making segment.

During the Reporting Period, the Company completed 9 NEEQ targeted issuance projects, financing an aggregate amount of RMB132 million. As at the end of the Reporting Period, 6 targeted issuance projects of the Company were under implementation, of which 1 was still under review by the regulatory authorities.

As at the end of the Reporting Period, the Company completed 3 NEEQ merger and acquisition reorganization projects and another 2 are in progress. In addition, as at the end of the Reporting Period, the Company continued to supervise a total of 132 enterprises, ranked 30th in industry ranking.

(3) Asset Management and Investment Business

During the Reporting Period, revenue and other income from our asset management and investment business was RMB32.89 million, representing a year-on-year increase of 41.00%.

1. Asset Management

In the asset management business, the Company has always been focusing on customer needs to comprehensively build a product system that meets investors' demand of various risk preferences. During the Reporting Period, in following its market development activities and actively adjusting its product layout, the Company's fixed income and equity products achieved good results. The "Guolian Fund Baonanfeng No. 2 Collective Asset Management Plan"(國聯基金寶南豐2號集合資產管理計劃) managed by the Company achieved outstanding performance and was awarded the Annual Golden Bull Brokers Collection Management Plan Award(年度金牛券商集合資管計劃獎項) organised by China Securities Journal. During the Reporting Period, The People's Bank of China and other financial administration authorities jointly issued and implemented the Guidance on Regulating the Asset Management Business of Financial Institutions(關於規範金融機構資產管理業務的指導意見) which helps eliminating regulatory arbitrage, unifies the business regulation of asset management industry and promotes the return of asset management industry to its source. The Company has fully implemented the regulatory requirements, constantly improved the risk control system of our capital management business, continuously introduced professional talents and further enhanced the core competitiveness of our capital management business, so as to achieve diversified development.

As at the end of the Reporting Period, the cumulative entrusted customers asset size of asset management business of the Company was RMB20.995 billion, representing a year-on-year decrease of 15.76%. Among others, the collective asset management schemes were 38, representing RMB7.514 billion in terms of size, the targeted asset management schemes were 47, representing RMB12.731 billion in terms of size and the specialized asset management scheme was 1, representing RMB750 million in terms of size.

2. **Direct Investment**

In accordance with the relevant requirements under the "Notice on the Issuance of Management Rules for Private Investment Funds Subsidiaries under Securities Companies" and "Management Rules for Alternative Investment Subsidiaries under Securities Companies" formulated by Securities Association of China, during the Reporting Period, Guolian Capital, formerly a direct investment subsidiary, had changed and became a private investment fund subsidiary to conduct private investment fund business. Apart from making positive rectification in completing fund cancellation and investment project pullout works according to regulatory requirements, Guolian Capital actively develops its business channels while continuing to focus on equity investment business, so as to provide projects reserve for Private Investment Funds Subsidiaries.

Moreover, the Company is actively applying for setting up alternative investment subsidiaries.

(4) Credit Transactions Business

During the Reporting Period, the revenue and other income from our credit transactions business was RMB318 million, representing a year-on-year increase of 55.53%.

1. **Margin Financing and Securities Lending**

During the Reporting Period, as affected by multiple external factors, the securities market presented a continuous downward trend once again, and a small number of A shares faced liquidity risk due to over-leveraging of shareholder's equity pledge. The Company further strengthened its risk management measures to prevent the occurrence of greater risk, thereby achieved the stable operation of the margin financing and securities lending business.

As at the end of the Reporting Period, the total number of customer credit accounts was 19,966, representing a year-on-year increase of 11.66%. The total credit amount of margin financing and securities lending of customers was RMB46.35 billion, representing a year-on-year increase of 8.51%. The average daily balance of margin financing and securities lending was RMB4.582 billion, representing a year-on-year increase of 10.76%. Interest income for margin financing and securities lending was RMB165 million, representing a year-on-year increase of 5.77%.

2. **Stock Pledged Repurchase Transaction**

During the Reporting Period, according to the new regulations of stock pledged repurchase transaction issued by the regulatory authority, the Company standardized the stock pledged repurchase transaction activities, clearly identified the financing purpose of serving entity economy and strictly managed business risks, so as to bring the stock pledged repurchase transaction from rapid expansion stage to steady development. As at the end of June 2018, the Company's initial transaction amount to be repurchased on the exchanges of stock pledged repurchase from its own fund increased to RMB5.548 billion from RMB5.082 billion as at the end of 2017, representing an increase of 8.9%.

The Company ceased to accept applications for "Xiaorongbao"（小融寶）business permissions and suspended the initial transaction of "Xiaorongbao"（小融寶）as at 26 January 2018. Clients who have subsisted liability contracts of "Xiaorongbao"（小融寶）may repurchase them before maturity date.

(5) Proprietary Trading Business

As at the end of Reporting Period, revenue and other income generated from the proprietary trading business of the Group amounted to RMB15.50 million, representing a year-on-year decrease of 81.33%.

For equity proprietary trading business, the Company has all along been adhering to its principle of value investment, mainly focused on exploring investment portfolios with low valuation and certainty of performance growth, closely kept up with key market segments, and enhanced value analysis. During the Reporting Period, the domestic A shares market showed a continuous downward trend after experiencing a upswing vibration in the beginning of the year, with CSI 300 index down by 12.9%. Heng Seng Index declined dramatically by 3.22%. Although the proprietary trading business of the Company did not record any positive profit, however, the return on equity still outperformed that of the CSI 300 index.

For fixed-income proprietary trading business, the Company adopted held-to-maturity measure as its main investment strategy and implemented a flexible operation strategy of mid-to-long term, moderately leveraged and risk controllable approach, mainly focusing on bonds with mid-to-high credit ratings. During the Reporting Period, based on our views that the overall market interest rate was stable, while credit spreads may widen in 2018, the Company enhanced its credit analysis efforts, increased its positions in bonds appropriately that have mid-to-high credit ratings, and maintained its stable operation strategy of low leveraging.

IV. PROSPECTS AND FUTURE PLANS

During the first half of 2018, the overall macro-economy was stable with intensifying downward pressure. The capital markets continued its main principles of strengthening supervisions and regulations, averting risks and de-leveraging. Moreover, due to the impact brought by default in credit liability, trade war between China and USA, and interest rate hike by US Federal Reserve Board, the A shares market was sluggish, equity-based financing shrunk significantly, with easing liquidity and credit contraction mixing and overlapping in the bonds market. In the second half year, uncertainties will remain in terms of policy and market aspects, and the securities industry will be exposed to greater pressure in the short run. However, from the long-term prospective, with the continuous growth of national economy, deepening reform of PRC financial system, and constant improvement of multi-tier capital market, the increase in proportion of direct financing in the financial system will boost the growth of the overall brokerage business in terms of size, including the giant investment bank business; the product line of brokerage business will be further improved and diversified; income and capital structure will continue to optimize; the capacity to serve the real economy will be strengthened constantly, and the securities industry is positioned in the stage of upward development in the long run.

Under the principle of enhancing customers' experience and under the fundamental guidance of "fully promoting our comprehensive capability and enlarging business base", the Company will further implement its comprehensive financial strategy, regional development strategy, fintech strategy and strong enterprise with talented team strategy in the future. The Company will provide high quality integrated and comprehensive financial services in a bid to help enriching individual wealth, pair up enterprises with capital market, promote government investment and financing, and spur the urban economic development through the listing of A shares to supplement net capital; through strengthening the construction of the securities and shareholding platform to heighten comprehensive competences; through progressively complete comprehensive service mechanism and through scientific branch network layout, intelligent information system and mobile internet platform, improved internal control system and specialized talent teams. The Company will intensify its efforts to develop institutional customer in local and neighboring regions through regional strengths, channel its energy to expand the size of investment banking and financing businesses sectors, make continuous efforts to optimize operation and income structures, striving to become the leading region-based securities broker with distinctive business features and strong capital supplement capabilities through financing.

V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2018, the equity attributable to the Company's shareholders was RMB7.732 billion, representing an increase of 1.84% from RMB7.593 billion at the end of 2017.

During the Reporting Period, total assets size of the Group increased 4.70% as compared with the end of last year, while the quality of assets and liquidity remained sound. Due to strong liquidity business nature of the Group, the balance sheet mainly includes current assets and current liabilities. Of which, cash assets accounted for 39.09%. Investment assets (including investment in associated companies and financial assets, especially investment in financial assets with strong liquidity) accounted for 13.96% of total assets. Financing assets (including margin accounts receivable and financial assets held under resale agreements) accounted for 45.86%; and other property and equipment in operational assets accounted for 1.09%. At the end of the Reporting Period, the Group's total self-owned assets (total assets less accounts payables to brokerage clients) was RMB18.428 billion, representing an increase of RMB1.241 billion, or 7.22%, as compared with the end of 2017.

The overall liability-asset ratio of the Company remained stable. As at the end of the Reporting Period, the self-owned liability-asset ratio of the Group (both total assets and total liabilities less accounts payables to brokerage clients) was 58.04%, representing an increase of about 2.22 percentage points as compared with 55.82% at the end of 2017. The Group's operating leverage (total assets less accounts payables to brokerage clients divided by equities attributable to the Company's shareholders) was 2.38 times, which was basically the same as compared to the 2.26 times at the end of 2017. The Group has developed stringent risk management measures for net capital and other risk control indicators. A stress test will be conducted on the general liquidity and other financial indicators before making any material capital investment.

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

VI. ESTABLISHMENT OF BRANCHES

As at the end of the Reporting Period, the Company had 13 branch offices and 84 securities branches. During the Reporting Period, pursuant to "Reply on the Approval of the Establishment of Eight Securities Branches of Guolian Securities Co., Ltd. in Wuhan" (SZJXKZ [2017] No.34) (《關於核准國聯證券股份有限公司在武漢等地設立8家分支機構的批復》) issued by the CSRC's local bureau in Jiangsu Province, the Company completed the setting up of the remaining two securities branches. Pursuant to "Reply on the Approval of the Establishment of Nine Securities Branches of Guolian Securities Co., Ltd. in Wuhan" (SZJXKZ [2018] No.11) (《關於核准國聯證券股份有限公司在武漢等地設立9家證券分支機構的批復》) issued by CSRC's local bureau in Jiangsu Province, the Company intended to set up nine securities branches. During the Reporting Period, the Company completed the establishment of eight securities branches, among which the specific details of Wuxi Taihu New Town Ruijing Road Securities Branch (無錫太湖新城瑞景道證券營業部), Changsha Wanjiali Middle Road Securities Branch (長沙萬家麗中路證券營業部) and Suqian Hongze Lake Road Securities Branch (宿遷洪澤湖路證券營業部) that are in progress are as follows:–

Item No.	Province/City	Name of branch	Address
1	**Shanghai**	Shanghai Zhangyang Road Securities Branch, Guolian Securities Co., Ltd.	Rm. 03, 8th Floor, Block 1, No. 2399, Zhangyang Road, No. 538, Gushan Road, Pudong New District, Shanghai
2	**Nanjing, Jiangsu Province**	Nanjing Qinhuai Road Securities Branch, Guolian Securities Co., Ltd.	No. 103, Block 2, Qingchun Shuian, No. 4 Qinhuai Road, Moling Street, Jiangning District, Nanjing
3	**Wuhan, Hubei Province**	Wuhan Xinhua Road Securities Branch, Guolian Securities Co., Ltd.	No. 5 Office, 14th Floor, Shidai Caifu Center, No. 468 Xinhua Road, Jianghan District, Wuhan
4	**Qingdao, Shandong Province**	Qingdao Shangshi Center Securities Branch, Guolian Securities Co., Ltd.	203, Unit 2, Building T6 Tower, Shangshi Center, No. 195 Hong Kong East Road, Laoshan District, Qingdao

Item No.	Province/City	Name of branch	Address
5	**Zhangjiagang, Jiangsu Province**	Zhangjiagang Nanyuan East Road Securities Branch, Guolian Securities Co., Ltd.	J105 Facade, No. 105, Nanyuan East Road, Building 55, Tangong Manor, Yangshe Town, Zhangjiagang
6	**Jiangyin, Jiangsu Province**	Jiangyin Changjinghongqiao North Road Securities Branch, Guolian Securities Co., Ltd.	No. 47, Hongqiao North Road, Changjing Town, Jiangyin
7	**Yixing, Jiangsu Province**	Yixing Xushe Town Xinhe Road Securities Branch, Guolian Securities Co., Ltd.	No. 36-38, Xinhe Road Shop, Juyuanmingju (West District), Xushe Town, Yixing
8	**Yixing, Jiangsu Province**	Yixing Gaocheng Town Zhenxing Road Securities Branch, Guolian Securities Co., Ltd.	No. 188-27, 28, 29, Zhenxing Road, Gaocheng Town, Yixing
9	**Wuxi, Jiangsu Province**	Wuxi Taihu New Town Ruijing Road Securities Branch, Guolian Securities Co., Ltd. (In preparation)	No. 69-2, 69-3, Huajing Jiayuan, Ruijing Road, Binhu District, Wuxi
10	**Changsha, Hunan Province**	Changsha Wanjiali Middle Road Securities Branch, Guolian Securities Co., Ltd. (In preparation)	Unit 1627-2, 16th Floor, No. 99, Section 1, Wanjiali Middle Road, Changsha
11	**Suqian, Jiangsu Province**	Suqian Hongzehu Road Securities Branch, Guolian Securities Co., Ltd. (In preparation)	No. 130, Hongzehu Road, Sucheng District, Suqian

VII. MAJOR INVESTMENT AND FINANCING EVENTS

(1) Major Investment Events

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

(2) Major Financing Events

1. Equity Financing

On 15 June 2018, the Company convened the 2017 annual General Meeting, the first Domestic Shares class meeting and the first H Shares class meeting of 2018, which considered and approved the further extension of A Shares issuance proposal and related authorization resolutions. Pursuant to the resolutions of General Meeting, the validity period of A Shares issuance proposal and authorization of the Company had been extended by 12 months.

At present, the Company is actively preparing for the issuance of A Shares.

2. Debt Financing

During the Reporting Period, the debt financing amounted to RMB3.12 billion in total, the details are as follows:

(1) During the Reporting Period, the Company borrowed 2 refinancing facilities of RMB600 million in total from China Securities Finance Corporation Limited*, the term is 182 days bearing an interest rate of 5.10%, for the purpose of margin financing and securities lending business of the Company.

(2) During the Reporting Period, the 2018 Corporate Bonds were issued publicly on 6 February 2018 (first tranche) with an issuance size of RMB700 million, the term is 2 years bearing a coupon interest rate of 5.65%, for the purpose of supplementing the working capital of the Company.

(3) During the Reporting Period, the 2018 Corporate Bonds were issued privately on 25 April 2018 (first tranche) with an issuance size of RMB1 billion, the term is 2 years bearing a coupon interest rate of 5.6%, for the purpose of supplementing the working capital of the Company.

(4) During the Reporting Period, 15 income certificates were issued for a total of RMB820 million, for the purpose of supplementing the working capital of the Company. The issuance list of income certificates is as follows:

Issuance List of Income Certificates in 2018

Financing Projects	Amount (In RMB ten thousands)	Financing Date	Maturity Date	Term (Days)	Interest Rate
Income Certificates	4,000	2018/1/26	2018/6/25	151	5.30%
	5,000	2018/1/26	2018/8/22	209	5.00%
	3,000	2018/3/5	2018/6/5	93	4.80%
	8,000	2018/3/23	2018/6/20	90	5.00%
	3,000	2018/3/27	2018/6/26	92	5.30%
	30,000	2018/4/18	2019/10/17	547	5.70%
	3,000	2018/4/18	2018/10/16	181	5.30%
	3,000	2018/5/8	2018/10/8	153	4.95%
	3,000	2018/5/22	2018/8/27	98	4.90%
	3,000	2018/5/30	2019/1/14	230	5.10%
	3,000	2018/6/8	2018/9/10	94	4.80%
	5,000	2018/6/20	2019/1/21	215	5.10%
	4,000	2018/6/28	2019/1/21	208	5.10%
	3,000	2018/6/22	2018/12/24	185	4.80%
	2,000	2018/6/26	2019/4/24	302	5.10%
Income Certificates Total	82,000				

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

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

IX. ISSUANCE OF SHARES AND USE OF PROCEEDS

(I) Overall Situation of Proceeds Raised

As approved by Zheng Jian Xu Ke [2015] No. 1024 "Reply Concerning the Approval of Issuing Overseas-Listed Foreign Shares by Guolian Securities Co., Ltd.（《關於核准國聯證券股份有限公司發行境外上市外資股的批復》）of the CSRC, in accordance with the relevant requirements of the state's relevant laws and regulations, the Company completed its first issuance of 402,400,000.00 H shares to overseas investors at Hong Kong Stock Exchange on 6 July 2015 at an issue price of HKD$8.00 per share. The net proceeds raised amounted to HKD$3,097.3263 million (equivalent to RMB2,443.9763 million) (after deducting underwriting expenses and other capitalization issue expenses), which was verified by PricewaterhouseCoopers Zhong Tian LLP and the PricewaterhouseCoopers Zhong Tian Capital Verification Report Yanzi (2015) No. 956 was issued.

As at 30 June 2018, the Company's actual cumulative investment amount used was RMB2,343.9783 million in accordance with the committed proceeds purpose (had adopted the actual exchange rate for actual settlement exchange rates computation purpose for the H shares proceeds raised), and the closing balance of bank account for the proceeds raised was amounted to HK$312.7816 million and RMB0.932 million in total (equivalent to RMB264.6382 million using the period-end closing exchange rate) respectively.

According to the development strategies and actual market situation, the Company was in strict compliance with the requirements of use of proceeds, the committed proceeds were used as follows:

(1) Approximately 45.0% of the funds will be used to further develop the margin financing and securities lending business of the Company, among which RMB1,157.6372 million has been used;

(2) Approximately 20.0% of the funds will be used to develop other capital-based intermediary services of the Company, among which RMB524.1577 million has been used;

(3) Approximately 15.0% of the funds will be used to expand the proprietary trading business of the Company, among which RMB386.0812 million has been used;

(4) Approximately 10.0% of the funds will be used to develop the Internet trading business of the Company, the usage has changed to using it as capital contribution and other preliminary expenses for the planned establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company, and RMB1,100 has been used;

(5) Approximately 10.0% of the funds will be used for working capital and other general corporate purposes, among which RMB276.1011 million has been used.

(II) Change of Proceeds Raised in Projects

As approved at the extraordinary General Meeting held on 29 July 2016, the Company changed the usage of the 10% of the proceeds raised which were originally planned to be used for developing Internet trading business of the Company to capital contribution and other preliminary expenses used for establishing subsidiaries in Hong Kong and as supplemental working capital of the Company.

Use of Proceeds for the Committed Projects

Unit: in RMB ten thousands

Name of committed projects	Any change in project	Invested amount of proceeds raised during the Reporting Period	Actual total amount of proceeds invested	Progress of project used	Change in usage
Margin financing and securities lending	No	–	115,763.72	100%	
Capital-based intermediary services	No	–	52,415.77	100%	
Investment business	No	–	38,608.12	100%	
Internet trading business	Yes				Changed as the capital contribution and other preparation expenses for establishing subsidiaries in Hong Kong and supplementing the working capital of the Company
Working capital and others	No	–	27,610.11	100%	
Establishing subsidiaries in Hong Kong and supplementing the working capital of the Company	Yes	0.05	0.11		
Total		0.05	234,397.83	90%	

(III) Details of Unused Proceeds Raised Previously

As at 30 June 2018, the Company had undertaken that the unused proceeds (equivalent to RMB264.6382 million) raised previously accounted for 10% of the total proceeds raised. The Company invested the proceeds raised according to the actual development of its businesses. The committed but unused capital changed its initial proceeds purpose from developing Internet trading business to capital contribution and other preliminary expenses for the establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company after being approved at the Company's General Meeting on 29 July 2016. The establishment of subsidiaries in Hong Kong has yet to be approved. As of the end of Reporting Period, the unused part of the proceeds raised was deposited into its bank account, and there was no case of utilizing such idle proceeds for other purposes.

X. EMPLOYEES, REMUNERATION POLICIES AND TRAINING PROGRAMS

As at the end of the Reporting Period, the Group had a total of 1,617 employees, including 1,397 from the Company and 220 from its subsidiaries.

By focusing on our development strategies, the Company keeps on establishing and improving its remuneration and incentive systems that emphasized on target management, stressed on position duties, staff ability and work performance as the guide. The Company formulates an overall remuneration policy and system in strict compliance with the principles of position-based salary, capabilities and performance-oriented salary payment and attaches great importance to the evaluation of capabilities and qualities, work behaviors and attitudes as well as work performance. The Company continues to improve its dual channel position management system for staff vertical promotion and horizontal development and guide them the path and direction for career development. Based on its own development needs and industrial remuneration changes, the Company strengthens the investigation and research as well as communication in peer industry and continues to optimize its remuneration structure and remuneration standard through market remuneration research, so as to establish a remuneration system both equitable internally and competitive externally.

The Company keeps on improving its performance assessment and evaluation system and establishes an effective incentive binding mechanism. Based on annual work tasks, the Company sets up key performance indicators for departments and conducts a comprehensive assessment on annual work performance and important tasks fulfillment of departments through an all-round assessment and evaluation of compliance management. To facilitate the sustainable development of its comprehensive business and promote the fast development of the wealth business and the institutional business in branches under the premise of compliance operation, the Company formulated the Management Measures for Assessment on Comprehensive Business of Branches to conduct an all-around and scientific assessment and evaluation on branches. The Company keeps on deepening the implementation of the MD ranking system and reinforces the assessment on department and staff work performance through formulating the ancillary execution management methods and internal performance assessment rules of all departments. To establish a fair and reasonable, open and transparent and effective incentive-based commission and award distribution mechanism for undertaking projects, the Company made amendments to the original project incentive management methods, further regulated project incentive targets, internal distribution percentage and so on, added the aspects of basic conditions for receiving commission in relation to projects, project risks and treatment when incurring losses, and constantly improved the fair and equitable project award distribution system.

The staff remuneration of the Company comprises position-based wage, performance-based award as well as social security and welfare. The Company established a position-based wage system based on ranking. The position-based wage is measured based on factors such as values, work intensity and working conditions of staff working positions and comprehensive market standard is determined through ranking evaluation. The principle of "position-based salary, salary changes for position changes" is strictly followed when making adjustment to staff's position-based salary. The performance-based award is set up to enable the Company and its staff to share the operating results and motivate staff to devote efforts for the continuous improvement of the economic benefits of the Company. Also, it is the award that is distributed after assessment based on department and staff duty performance requirements and their contributions made after taking into account the Company's overall operating conditions and economic benefits. The Company provided employees with statutory social insurance and provident fund in strict compliance with the relevant provisions of state laws and regulations, supplemented by the enterprise group annuity insurance and mutual assistance for serious illness to provide employees with effective guarantee.

To meet the needs of innovative development of the industry and personnel training and development, and constantly improve the comprehensive qualities of our staff, the Company attaches great importance to staff trainings and keeps on improving and optimizing our staff training system. The Company intensified its training system and platform construction, and revised the "Internal Lecturer Management System" (《國聯證券內部講師管理制度》), "Management Measures on Position Support by Human Resources" (《人力資源支持崗管理辦法》) and "Management Measures on Staff Online Learning Platform" (《員工在線學習平台管理辦法》), which clarified the relevant standards and implementation process, further standardized the training management and improved the training management system of the Company. The Company keeps on pushing forward online trainings, including the annual training merit points statistics, completion of the report for use of E-learning platform, updating and developing E courses and business learning documents, organizing new staff to participate in online trainings, etc., so as to give into full play regarding the Company's role in online learning platform. Based on the business development requirements and departments training demand, the Company has developed and carried out annual training programme in an orderly manner. The Company organized and carried out various training activities, including internal lecturer trainings and qualification certifications, a series of new cadre trainings, middle-level cadres and business core persons external trainings, face-to-face training session for new staff and special training for business departments. The Company also organized its staff and management team to take part in comprehensive financial trainings and cadres evening learning courses and compliance specific trainings of controlling shareholder. At the same time, the Company encouraged employees to improve themselves through improving degree-based academic education, taking various professional qualification examinations, etc. The Company constantly intensified its efforts in building talented teams of five categories in audit, finance, legal, risk control and human resources, and introduced five categories of talents as planned on the basis of scientific cadres resources availability review, thus laying a good foundation for the Company to deepen the human resources development and utilization.

XI. RISK CONTROL

(I) Major risks affecting the Company's operations

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

1. Market Risk

Market risk refers to the risk that may cause losses to the Company's business resulting from the adverse changes in market prices, including stock prices, commodity prices, interest rates and exchange rates. Currently, the market risk of the Company mainly comes from securities proprietary trading business, assets management business and market-making business. The market risk factors that affect the Company mainly include equity risk factor, interest rate risk factor and credit spread risk factor.

To control market risk, the Company mainly adopted the following measures: (1) sensitivity analysis, the Company ensures that its overall portfolio risk falls within the expected range by setting limit control to different sensitivity parameters and adjusting the market risk of financial products; (2) concentration control, the Company executes the business limit at all levels (including business and products), and control its risk undertaking capacity by limiting market risk exposure, the Company adjusts the limit annually to reflect market conditions, operation position and change in risk undertaking level of the Company; (3) value-at-risk method, the Company evaluates risk exposure and debts of the Company, relative or absolute risk of equity investment by using daily value at risk, and timely monitor the relevant risk limits of the Company; (4) stress test and scenario analysis, the Company monitors risk exposure by adopting stress test and scenario analysis ;(5) with the global expansion of the Company's business, exchange rate risks is exposing gradually. The Company will continue to pay attention to foreign exchange market, constantly enhancing institutional development and internal management and prudently carry out overseas financing, A series of measures, such as foreign exchange forward and option hedging, will be considered when planning to develop its overseas business to offset and mitigate exchange rate risks for the purpose of supporting the expansion of the Company's overseas business.

2. **Credit Risk**

Credit risk refers to the risk that may cause economic losses to the Company due to the failure of the debtors and transaction counterparties in performing their obligations as agreed in the deeds. Credit risk includes the credit risks of transaction counterparty (default risk) and collateral risk.

The Company estimates the economic strengths of transaction counterparties through analyzing various financial indicators of transaction counterparties including liquidity, debt levels, stable income source and share market values, and issues assessment reports. The collateral risk refers to whether the payment ability of collateral that pledged could cover the needs of the projects when default exposure is revealed. The credit transaction business, including margin financing and securities lending and stock pledged, conducted by the Company could be exposed to such risk. Therefore, the Company will make periodic adjustment on the value of the collaterals according to market situation and the risk of individual stock.

3. **Liquidity Risk**

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

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

4. **Operational Risk**

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

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

5. **Compliance Risk**

Compliance risk refers to the risk that the Company may be exposed to legal sanction or regulatory penalties, significant property damages or reputation losses as a result of violating the laws and regulations, regulatory requirements, rules, the relevant criterions set up by self-disciplined organizations, and the code of conduct applicable for the operation activities of the Company.

The Company has established an effective and impeccable compliance risks management system and compliance management and organization system. To facilitate its compliance management, the Company sets up the Compliance and Legal Department and explores various effective measures in compliance management through communication with different supervising authorities. At the same time, the Compliance and Legal Department of the Company implements an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance testing, compliance inspection, compliance investigation, compliance supervision and compliance training.

6. **Concentration Risk**

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

7. **Reputation Risk**

Reputational risk refers to the risk of the Company being negatively evaluated by relevant interested parties due to operations, management and other activities or external events.

The Company has conducted a dynamic monitoring management to our reputation risk through the public opinion monitoring system and focuses on factors that may cause reputation risks during the process of carrying out businesses, as a result of the changes of internal organizational structure, policies and systems, financial indicators and system adjustment, and reputation risk factors that revealed by news media reports, online public opinion tendency, customer complaints, internal and external audit and regulatory compliance inspection as well as other reputation risk factors that may incur as a result of involvement in judicial matters or mass incidents.

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

1. **Sound and Comprehensive Risk Management System**

The Company further improves the governance structure of subsidiaries, formulates the basic mechanism, including risk management, according to the comprehensive risk management requirements. We also finalize the management requirements to subsidiaries and make clear the risk information reporting path.

2. **Improvement of Relevant System and Scheme Optimization**

Under the framework of existing risk management system, we combine the risk management system and business system closely and complete risk identification, assessment and response of risk management process in the course of business implementation. Also, we make clear of risk management responsibility in every department and every position, improve effective evaluation and examination flow of risk management, establish internal risk information collection and reporting system, improve risk monitoring system as well as assuring risk management coverage to all employees, all businesses and all flows. Moreover, we complete internal authorization, optimize business flow, standardize system implementation, so as to feasibly enhance the risk management capacity of the Company as a whole.

3. **Propelling the Construction of Risk Management System**

The Company further sorts out market risk and liquidity risk management system and carries out system improvement, so as to boost systematic integration. In the first half of 2018, the Company basically completed the acceptance and testing of credit risk management system and conducted assessment, monitored and reported on credit risk through the credit management system.

4. **Establishment of Internal Rating System**

The Company is gradually establishing and improving our internal rating system and performs assessment pin-pointing at specific credit risk subjects through qualitative and quantitative methods, which include rating methods, rating results, rating process, internal control, rating acceptance and testing and internal rating documentation management. We make it clear that rating classification is in accordance with occurrence frequency rate and potential loss of credit risk incidents.

5. **Intensification of Risk Counteracting Capacity**

The Company basically sets up relevant counteracting mechanisms based on various types of risk. To refine risk counteracting process and formulate reasonable and effective counteracting measures, the Company determines risk treatment and management measures. Meanwhile, we reinforce personnel management and system execution inspection, intensify the education of risk awareness as well as finalize the appraisal and evaluation system of internal risk.

I. DIVIDENDS

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

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

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

III. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

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

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

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

Name of shareholders	Class of shares	Nature of interest	Number of shares *(Note 1)*	Percentage of total number of issued shares of the Company *(Note 6)*	Percentage of total number of issued shares in the relevant class of shares of the Company *(Note 6)*
Guolian Group *(Note 2)*	Domestic shares	Beneficial owner and interest in controlled corporation	1,376,336,123 (L)	72.347%	94.29%
Guolian Trust	Domestic shares	Beneficial owner	390,137,552 (L)	20.508%	26.73%
Guolian Industrial *(Note 3)*	Domestic shares	Interest in controlled corporation	266,899,445 (L)	14.030%	18.28%
Wuxi Electric	Domestic shares	Beneficial owner	266,899,445 (L)	14.030%	18.28%
Guolian Financial Investment *(Note 4)*	Domestic shares	Interest in controlled corporation	73,500,000 (L)	3.864%	5.04%
Minsheng Investment（民生投資）	Domestic shares	Beneficial owner	73,500,000 (L)	3.864%	5.04%
CES Global Holdings (Hong Kong) Limited	H Shares	Beneficial Owner	54,091,500 (L)	2.843%	12.22%
Central Huijin Investment Ltd. *(Note 5)*	H shares	Interest in controlled corporation	27,513,000 (L)	1.446%	6.22%
China Reinsurance (Group) Corporation（中國再保險（集團）股份有限公司）	H shares	Beneficial owner	27,513,000 (L)	1.446%	6.22%

Notes:

(1) (L) denotes long positions.

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

(3) Guolian Industrial is deemed to be interested in the 266,899,445 domestic shares of the Company held by Wuxi Electric, its wholly-owned subsidiary.

(4) Guolian Financial Investment is deemed to be interested in the 73,500,000 domestic shares of the Company held by Minsheng Investment, its wholly-owned subsidiary.

(5) Central Huijin Investment Ltd. is deemed to be interested in the 27,513,000 H shares of the Company held by China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司), its non-wholly owned subsidiary.

(6) As at the end of the Reporting Period, the Company issued 1,459,760,000 domestic shares and 442,640,000 H shares, a total of 1,902,400,000 shares.

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

V. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

VI. CORPORATE GOVERNANCE

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

VII. SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

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

VIII. OPERATING OF THE BOARD AND THE BOARD COMMITTEES

(1) Composition of the Board

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

During the Reporting Period, all Directors performed their statutory duties diligently and honestly and protected the interests of the shareholders of the Company as a whole, especially the interests of minority shareholders, in accordance with the relevant provisions of laws, regulations and articles of association of the Company. During the Reporting Period, the Board convened a total of 4 general meetings (including 2 class meetings) for its shareholders to consider and approve 16 proposals, and convened 3 Board meetings and considered and approved 27 proposals.

(2) Board Committees

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

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

During the Reporting Period, the Strategy Committee convened a total of 2 meetings, which considered and approved 2 proposals. The Audit Committee convened a total of 3 meetings, which considered and approved 13 proposals. The Remuneration and Nomination Committee convened a total of 1 meeting, which considered and approved 2 proposals. The Risk Control Committee convened a total of 1 meeting, which considered and approved 4 proposals.

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

IX. OPERATION OF THE SUPERVISORY COMMITTEE

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

During the Reporting Period, the Supervisory Committee has convened 3 meetings and considered 10 proposals. The Supervisors earnestly performed their duties and supervised the standard operation of the Company and safeguarded the legal rights and interests of the Company, shareholders and investors in accordance with the relevant provisions of the Company Law and Securities Law and other relevant laws and regulations and the articles of association of the Company.

X. NEW BUSINESS QUALIFICATIONS OBTAINED DURING THE REPORTING PERIOD

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

XI. EVALUATION RESULTS OF THE COMPANY BY SECURITIES REGULATORY AUTHORITY

In the evaluation of securities companies of 2018 carried out by the CSRC, the Company was assigned an A rating in A class.

XII. MAJOR LITIGATIONS

(1) Events during the Reporting Period

On 14 February 2017, the Company invested RMB122 million from its own funds to participate in the stock pledged repurchase business for the 22,770,000 restricted tradable shares of Huaming Power Equipment (002270) held by Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership)（廣州匯垠華合投資企業（有限合夥））("Huiying Huahe"). Zhang Guizhen, a limited partner of Huiyin Huahe, provides an unlimited joint liability guarantee. On 1 February 2018, the business fell below its contract disposal line and Huihua Huahe was unable to fully implement the performance guarantee measures within two trading days, which constituted a substantial breach of contract event. As the restriction of shares pledged for this business purpose is still not discharged, it is not possible to dispose of them at the secondary market, and needs to be handled through judicial channels. The Company obtained a notarized execution certificate and had already filed at Guangzhou Intermediate People's Court on 6 June 2018. The first round of seizure of the pledged shares has been carried out.

(2) Progress of previous events during the Reporting Period

According to the reorganization plan in relation to the amalgamation and reorganization case between Huzhou Jintai Technology Company Limited（湖州金泰科技股份有限公司）and Huzhou Hete Jintai Automobile Parts Co., LTD.（湖州赫特金泰汽車零部件有限公司）, the Company may be granted a bond allotment amount of RMB392,118.13. Such amount has been fully paid by the administrator of Huzhou Jintai Technology Company Limited（湖州金泰科技股份有限公司）on 22 January 2018 (for relevant background information, please refer to the 2017 annual report of the Company).

XIII. INFORMATION RELATING TO THE COMPANY'S CONTROLLING SHAREHOLDERS

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

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

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

During the Reporting Period, Guolian Capital received 10 letters of intent from the controlling shareholders of the Company or their controlled entities regarding the referral of its new direct investment business. After the evaluation by the investment decision committee of Guolian Capital, it was unanimously agreed not to proceed with these new direct investment opportunities referred, the reasons of which mainly include lack of further development potential for the project, difficulty in controlling risks, the projects are beyond the areas that Guolian Capital usually invests in or the projects do not meet the requirements of the management regulations for subsidiaries under the private equity fund.

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

During the Reporting Period, Mr. Hua Weirong, a non-executive Director of the Company, resigned from his position as the Chairman of Wuxi Guolian Industrial Investment Co., Ltd.*（無錫國聯產業投資有限公司）in June 2018, and becomes the Chairman of Wuxi Guofa Asset Operation Co., Ltd.*（無錫市國發資產運營有限公司）. Mr. Lee Pak Hay, an independent non-executive Director of the Company, resigned as a legal consultant from TONG & Lawyers in April 2018, and become the principal lawyer of Lee Pak Hay Law Firm in May 2018.

Save as disclosed above, as at the end of Reporting Period, there is no change regarding the biographical information related to Directors, Supervisors and chief executive required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as compared with those disclosed in the 2017 annual report.

XV. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant subsequent events between 30 June 2018 and the date of the consolidated financial statements.

Definitions

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

"End of the Reporting Period"	30 June 2018
"Futures IB"	the business activities in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions for the futures companies and provide other related services
"GDP"	gross domestic product
"Group", "our Group"	our Company and its subsidiaries which are Guolian Capital Co., Ltd. and Hua Ying Securities Co., Ltd.
"Guolian Capital"	Guolian Capital Co., Ltd. (國聯通寶資本投資有限責任公司), a limited liability company established in the PRC on 18 January 2010 and a wholly-owned subsidiary of our Company
"Huaguang Boiler"	Wuxi Huaguang Boiler Co., Ltd. (無錫華光鍋爐股份有限公司)
"Guolian Financial Investment"	Wuxi Guolian Financial Investment Group Co., Ltd. (無錫國聯金融投資集團有限公司),a wholly-owned subsidiary of Guolian Group
"Guolian Group"	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)
"Guolian Industrial"	Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司)
"Guolian Trust"	Guolian Trust Co., Ltd. (國聯信託股份有限公司)
"Hua Ying Securities"	Hua Ying Securities Co., Ltd. (華英證券有限責任公司), a wholly-owned subsidiary of the Company

Definitions

"IFRS"	include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"IPO"	initial public offering
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Min Sheng Investment"	Wuxi Min Sheng Investment Co., Ltd., a wholly-owned subsidiary of Wuxi Guolian Financial Investment Group Co., Ltd. and holds 3.864% of the equity interest of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuer contained in Appendix 10 of the Listing Rules
"NEEQ"	National Equities Exchange and Quotations（全國中小企業股份轉讓系統）
"Non-competition Agreement"	the non-competition agreement dated 15 June 2015 entered into among the Company and Guolian Group, Guolian Trust, Wuxi Electric, Guolian Textile, Guolian Environmental and Guolian Industrial
"OECD"	Organisation for Economic Co-Operation and Development
"Reporting Period"	the period for the six months ended 30 June 2018
"RMB"	Renminbi, the lawful currency of the PRC
"Securities Law"	the Securities Law of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shareholders"	holders of the shares of the Company
"Shanghai-Hong Kong Stock Connect"	a mechanism of inter-connection and inter-working between transactions of Shanghai and Hong Kong stock markets under which Shanghai Stock Exchange and Hong Kong Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)

"Shenzhen-Hong Kong Stock Connect"	a mechanism of inter-connection and inter-working between transactions of Shenzhen and Hong Kong stock markets under which Shenzhen Stock Exchange and Hong Kong Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)
"Southbound Trading"	a mechanism of trading and settlement under which the investors of Mainland China can buy or sell H shares directly via the securities companies (or brokers) of Mainland China
"special asset management scheme"	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account
"specialized asset management scheme"	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client's name
"SSE Composite Index"	Shanghai SE Composite Index, reflecting changes of price of shares listed on Shanghai Stock Exchange
"Supervisor(s)"	the Supervisor(s) of the Company
"Supervisory Committee"	the Supervisory Committee of the Company
"SZSE Composite Index"	Shenzhen SE Composite Index, reflecting changes of price of A and/or B shares listed on Shenzhen Stock Exchange
Shanghai Stock Exchange	The Shanghai Stock Exchange
Shenzhen Stock Exchange	the Shenzhen Stock Exchange
"Wind Information"	Wind Information Co., Ltd.（上海萬得信息技術股份有限公司）, a joint stock limited liability company incorporated in the PRC and a service provider of financial data, information and software

Definitions

"Wuxi Electric"	Wuxi Municipal Electric Power Company*（無錫市地方電力公司）, a wholly-owned subsidiary of Guolian Industrial, which holds 14.03% of the equity interest of the Company
"Xiaorongbao（小融寶）"	the small securities-backed financing service provided to the customers by the Group
"Yimian Textile"	Wuxi Yimian Textile Group Co., Ltd.（無錫一棉紡織集團有限公司）, formerly known as Wuxi Guolian Textile Group Co., Ltd.（無錫國聯紡織集團有限公司）

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

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

To the Board of Directors of Guolian Securities Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Guolian Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 116, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 29 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Revenue			
– Commission and fee income	5	405,477	369,016
– Interest income	6	451,100	345,038
Net investment gains/(losses)	7	(12,558)	90,281
Other income	8	3,094	2,480
Total revenue, gains and other income		847,113	806,815
Commission and fee expenses	9	(63,788)	(74,401)
Interest expenses	10	(210,004)	(112,805)
Staff costs	11	(199,359)	(189,526)
Depreciation and amortization		(30,792)	(27,686)
Other operating expenses	12	(109,379)	(96,671)
Impairment losses, net of reversal	13	(55,724)	(1,034)
Total expenses		(669,046)	(502,123)
Share of results of associates	19	(3,449)	14,986
Other gains (losses), net	14	6,497	(12,512)
Profit before income tax		181,115	307,166
Income tax expense	15	(47,617)	(65,900)
Profit for the period		133,498	241,266
Attributable to:			
Shareholders of the Company		133,498	237,931
Non-controlling interests		–	3,335
Earnings per share			
(Expressed in RMB per share)			
– Basic	16	0.07	0.13

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Profit for the period		133,498	241,266
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive expense of investments in associates		–	(450)
Available-for-sale financial assets			
– Changes in fair value		–	90,619
– Amounts reclassified to profit or loss upon disposal or impairment provision of available-for-sale financial assets		–	(87,356)
– Income tax effect		–	(815)
Other comprehensive income for the period, net of tax		–	1,998
Total comprehensive income		133,498	243,264
Attributable to:			
Shareholders of the Company		133,498	239,929
Non-controlling interests		–	3,335

The notes on pages 49 to 116 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Assets			
Non-current assets			
Property and equipment	18	98,198	98,599
Intangible assets		21,263	26,582
Interests in associates	19	121,627	125,448
Other non-current assets		29,109	29,173
Available-for-sale financial assets	20	–	161,104
Deferred tax assets	21	49,852	21,477
Financial assets held under resale agreements	25	1,613,604	1,461,393
Financial assets at fair value through profit or loss	26	148,988	–
Refundable deposits	22	149,576	106,290
Total non-current assets		2,232,217	2,030,066
Current assets			
Other current assets	23	75,641	309,579
Available-for-sale investments	20	–	899,211
Margin accounts receivable	24	3,852,557	4,609,341
Financial assets held under resale agreements	25	6,090,424	4,591,780
Financial assets at fair value through profit or loss	26	3,247,560	2,362,037
Clearing settlement funds	27	2,259,513	2,656,833
Cash held for brokerage clients		4,943,972	4,655,092
Cash and bank balances	28	2,496,406	1,952,059
Total current assets		22,966,073	22,035,932
Total assets		25,198,290	24,065,998
Current liabilities			
Other current liabilities	29	660,693	355,402
Accounts payable to brokerage clients		6,770,224	6,879,052
Bonds in issue	30	1,585,430	2,820,000
Tax liabilities		60,434	13,947
Financial liabilities at fair value through profit or loss	31	1,497,794	1,707,115
Derivative financial liabilities	32	724	–
Financial assets sold under repurchase agreements	33	308,306	297,910
Due to other financial institutions	34	608,713	600,000
Total current liabilities		11,492,318	12,673,426

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Net current assets		**11,473,755**	9,362,506
Total assets less current liabilities		**13,705,972**	11,392,572
Equity			
Share capital	35	**1,902,400**	1,902,400
Share premium		**2,178,478**	2,178,478
Reserves		**1,715,660**	1,719,074
Retained earnings		**1,935,556**	1,792,620
Equity attributable to shareholders of the Company		**7,732,094**	7,592,572
Total equity		**7,732,094**	7,592,572
Liabilities			
Non-current liabilities			
Bonds in issue	30	**5,973,878**	3,800,000
Total non-current liabilities		**5,973,878**	3,800,000
Total equity and non-current liabilities		**13,705,972**	11,392,572

The notes on pages 49 to 116 form an integral part of these condensed consolidated financial statements.

The consolidated financial statements on pages 42 to 116 were approved and authorised for issue by the Board of Directors on 29 August 2018 and signed on behalf by:

Yao Zhiyong
Chairman of the Board and non-Executive Director

Peng Yanbao
Executive Director and President

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017	1,902,400	2,178,478	1,719,074	1,792,620	7,592,572	–	7,592,572
Adjustment (see Note 2)	–	–	(3,414)	9,438	6,024	–	6,024
Balance at 1 January 2018	1,902,400	2,178,478	1,715,660	1,802,058	7,598,596	–	7,598,596
Profit for the period	–	–	–	133,498	133,498	–	133,498
Total comprehensive income for the period	–	–	–	133,498	133,498	–	133,498
Dividends recognized as distribution	–	–	–	–	–	–	–
Balance at 30 June 2018 (unaudited)	1,902,400	2,178,478	1,715,660	1,935,556	7,732,094	–	7,732,094
Balance at 1 January 2017	1,902,400	2,178,478	1,672,232	1,816,033	7,569,143	327,027	7,896,170
Profit for the period	–	–	–	237,931	237,931	3,335	241,266
Other comprehensive income for the period	–	–	1,998	–	1,998	–	1,998
Total comprehensive income for the period	–	–	1,998	237,931	239,929	3,335	243,264
Dividends recognized as distribution (Note 17)	–	–	–	(266,336)	(266,336)	–	(266,336)
Balance at 30 June 2017 (unaudited)	1,902,400	2,178,478	1,674,230	1,787,628	7,542,736	330,362	7,873,098

The notes on pages 49 to 116 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	**181,115**	307,166
Adjustments for:		
Depreciation and amortisation	**30,792**	27,686
Impairment losses	**55,724**	1,034
Net losses/(gains) on disposal of property and equipment and other intangible assets	**(51)**	80
Unrealised fair value change of financial instruments at fair value through profit or loss	**43,227**	42,106
Foreign exchange losses/(gains)	**(2,494)**	15,786
Share of loss/(profit) of associates	**3,449**	(14,986)
Interest expense of bonds in issue and short-term notes	**174,735**	81,545
Realised gains from disposal of financial instruments at fair value through profit or loss	**(13,341)**	–
Realised gains from disposal of available-for-sale financial assets	**–**	(83,549)
Dividends and interest income from available-for-sale financial assets	**–**	(6,741)
Dividends and interest income from financial instruments at fair value through profit or loss	**(3,780)**	–
Operating cash flows before movements in working capital	**469,376**	370,127
Net decrease in margin accounts receivable	**895,675**	238,045
Net decrease in financial instruments at fair value through profit or loss	**91,469**	358,290
Net increase in financial assets held under resale agreements	**(211,277)**	(1,898,498)
Net increase in refundable deposits	**(43,285)**	(31,988)
Net (increase)/decrease in cash held for brokerage clients	**(688,880)**	612,364
Net decrease in clearing settlement funds held for clients	**337,813**	828,944
Net increase in other assets	**(21,762)**	(28,378)
Net decrease in accounts payable to brokerage customers	**(108,828)**	(1,433,878)
Net increase/(decrease) in financial assets sold under repurchase agreements	**10,030**	(472,440)
Net (decrease)/increase in due to other financial institutions	**(213)**	300,000
Net increase/(decrease) in other liabilities	**445,959**	(155,336)
Net (decrease)/increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	**(214,383)**	2,465
Cash generated from/(used in) operations	**961,694**	(1,310,283)
Income taxes paid, net	**(31,637)**	(103,879)
Net cash generated by/(used in) operating activities	**930,057**	(1,414,162)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Dividends and interest received from investments	**3,780**	6,741
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	**105**	202
Purchase of property and equipment, intangible assets and other long-term assets	**(25,061)**	(21,357)
Cash paid for purchase of available-for-sale financial assets	**–**	(244,434)
Cash paid for purchase of financial instruments at fair value through profit or loss	**(490,498)**	–
Cash received from disposal of financial instruments at fair value through profit or loss	**478,866**	–
Cash received from disposal of available-for-sale financial assets	**–**	959,580
Net cash generated by/(used in) investing activities	**(32,808)**	700,732
Cash flows from financing activities		
Cash received from additional bonds and short term notes in issue	**2,520,000**	50,000
Cash paid for repayment of bonds and short term notes in issue	**(1,800,000)**	(300,000)
Interest paid for bonds and short term notes in issue	**(49,218)**	(38,163)
Net cash generated by/(used in) financing activities	**670,782**	(288,163)
Effect of exchange rate changes on the balance of cash held in foreign currencies	**2,494**	(15,786)
Net decrease in cash and cash equivalents	**1,568,031**	(1,001,593)
Cash and cash equivalents at the beginning of the period	**3,443,286**	3,788,648
Cash and cash equivalents at the end of the period	**5,013,811**	2,771,269

The notes on pages 49 to 116 form an integral part of these condensed consolidated financial statements.

1. General information

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

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

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

As at 30 June 2018, the registered capital of the Company is RMB1,902,400 thousand. The Company holds the securities institution license No.13120000 and business license No. 91320200135914870B. The registered address of the Company is No. 8 Jinrong One Street Wuxi, Jiangsu Province, PRC.

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

These condensed consolidated financial statements were authorised for issue by the Board of Directors (the "Board") on 29 August 2018.

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies

(a) Basis of preparation

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

(b) Principal accounting policies

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to IFRS 9 Prepayment Features with Negative Compensation in advance of the effective date i.e. 1 January 2019.

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

Since 1 January 2018, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets, and other items and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other comprehensive income, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

2.1.1 Key changes in accounting policy resulting from application of IFRS9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.1 Key changes in accounting policy resulting from application of IFRS9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.1.2.

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.1 Key changes in accounting policy resulting from application of IFRS9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including margin accounts receivable, financial assets held under resale agreements, refundable deposits, clearing settlement funds, cash held for brokerage, account receivables, other receivables and loan commitments). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables without significant financing component. The ECL or these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.1 Key changes in accounting policy resulting from application of IFRS9 (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- failure in paying principal and interest on the date of maturity and length of overdue time;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant change in the value of the collateral or in the quality of the collateral or credit enhancement provided by a third party that results in a significant decrease in the economic incentives of the debtor to pay the debt within the contracted time limit or to affect the probability of default.

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.1 Key changes in accounting policy resulting from application of IFRS9 (continued)

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.1 Key changes in accounting policy resulting from application of IFRS9 (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.1 Key changes in accounting policy resulting from application of IFRS9 (continued)

Measurement and recognition of ECL (continued)

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of margin accounts receivable, financial assets held under resale agreements, account receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and loan commitments for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.1.2.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.1 Key changes in accounting policy resulting from application of IFRS9 (continued)

Classification and measurement of financial liabilities (continued)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2.1.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 at the date of initial application, 1 January 2018.

	Cash and bank balances	Margin accounts receivable	Financial assets held under resale agreements	Financial assets at FVTPL under by IAS39/ IFRS9	Available-for-sale financial assets	Accounts receivable	Interest receivable	Interest payable	Investments in associates[c]	Others	Financial liabilities at amortised cost	Deferred tax assets/ liabilities	AFS/ FVTOCI reserve	Retained Profits
Closing balance at 31 December 2017 – IAS 39	6,607,151	4,609,341	6,053,173	2,362,037	1,060,315	39,385	220,896	103,080	125,448	78,471	7,517,910	21,477	3,414	1,750,676
Effect arsing from initial application of IFRS 9	3,707	137,320	10,943	1,138,448	(1,060,315)	(12)	(220,896)	(103,080)	(372)	(668)	103,080	(2,131)	(3,414)	9,438
Reclassification														
From available-for-sale[a]	–	–	–	1,060,315	(1,060,315)	–	–	–	–	–	–	–	(2,430)	2,430
From interest receivable/ interest payable	3,707	138,349	18,606	60,234	–	–	(220,896)	(103,080)	–	–	103,080	–	–	–
Remeasurement														
Impairment under ECL model[b]	–	(1,029)	(7,663)	–	–	(12)	–	–	–	(668)	–	2,344	–	(7,028)
From cost less impairment to fair value[a]	–	–	–	17,899	–	–	–	–	–	–	–	(4,475)	–	13,424
Others[c]	–	–	–	–	–	–	–	–	(372)	–	–	–	(984)	612
Opening balance at 1 January 2018 (unaudited)	6,610,858	4,746,661	6,064,116	3,500,485	–	39,373	–	–	125,076	77,803	7,620,990	19,346	–	1,760,114

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.2 Summary of effects arising from initial application of IFRS 9 (continued)

(a) Available-for-sale investments

From AFS investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments, funds, bonds, asset management schemes and trust products under IAS 39 amounted to RMB1,060,315 thousand were reclassified from available-for-sale investments to financial assets at FVTPL among which unlisted equity investment measured at cost under IAS 39 amounted to RMB103,235 thousand were measured at fair value and result in an increase of RMB17,899 thousand of the carrying amount. The fair value loss of RMB2,430 thousand (after tax) relating to those investments previously carried at fair value were transferred from investment revaluation reserve of available-for-sale financial assets to retained profits.

(b) Impairment under ECL model

The Group applies the IFRS 9 and ECL model to measure impairment.

As at 1 January 2018, the additional credit loss allowance of RMB7,028 thousand (after tax) has been recognised against retained profits.

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.2 Summary of effects arising from initial application of IFRS 9 (continued)

(b) Impairment under ECL model (continued)

All loss allowances for financial assets including margin accounts receivable, financial assets held under resale agreements, accounts receivables and other account receivable at amortised cost as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Margin accounts receivable	Financial assets held under resale agreements	Accounts Receivable	Other Accounts Receivable
At 31 December 2017 – IAS 39	13,901	15,562	–	872
Amounts remeasured through opening retained profits	1,029	7,663	12	668
As 1 January 2018	14,930	23,225	12	1,540

2. Basis of preparation and principal accounting policies (continued)

2.1 Impact and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.1.2 Summary of effects arising from initial application of IFRS 9 (continued)

(c) Investments in associate

The net effects arising from the initial application of IFRS9 resulted in an decrease in the carrying amounts of interests in associates of RMB372 thousand with corresponding adjustments to retained profits and FVTOCI reserve by increasing RMB612 thousand and decreasing RMB984 thousand respectively.

2.2 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

2.2.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a 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 Group satisfies a performance obligation

2. Basis of preparation and principal accounting policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. Basis of preparation and principal accounting policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

2. Basis of preparation and principal accounting policies (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2.2.2 Summary of effects arising from initial application of IFRS 15

There has no material impact on retained profits or condensed consolidated financial statements of the Group on 1 January 2018 from initial application of IFRS 15.

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited)	IFRS 9	1 January 2018 (Restated)
Non current assets			
Property and equipment	98,599	–	98,599
Intangible assets	26,582	–	26,582
Interests in associates	125,448	(372)	125,076
Other non-current assets	29,173	–	29,173
Available-for-sale financial assets	161,104	(161,104)	–
Deferred tax assets	21,477	(2,131)	19,346
Financial assets held under resale agreements	1,461,393	(3,677)	1,457,716
Financial assets at fair value through profit or loss	–	179,003	179,003
Refundable deposits	106,290	–	106,290
Total non-current assets	2,030,066	11,719	2,041,785
Current assets			
Other current assets	309,579	(221,576)	88,003
Available-for-sale investments	899,211	(899,211)	–
Margin accounts receivable	4,609,341	137,320	4,746,661
Financial assets held under resale agreements	4,591,780	14,620	4,606,400
Financial assets at fair value through profit or loss	2,362,037	959,445	3,321,482
Clearing settlement funds	2,656,833	–	2,656,833
Cash held for brokerage clients	4,655,092	–	4,655,092
Cash and bank balances	1,952,059	3,707	1,955,766
Total current assets	22,035,932	(5,695)	22,030,237
Total assets	**24,065,998**	**6,024**	**24,072,022**

(All amounts in RMB'000 unless otherwise stated)

2. Basis of preparation and principal accounting policies (continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation (continued)

	31 December 2017 (Audited)	IFRS 9	1 January 2018 (Restated)
Current liabilities			
Other current liabilities	355,402	(103,080)	252,322
Accounts payable to brokerage clients	6,879,052	–	6,879,052
Bonds in issue	2,820,000	35,877	2,855,877
Tax liabilities	13,947	–	13,947
Financial liabilities at fair value through profit or loss	1,707,115	–	1,707,115
Derivative financial liabilities	–	–	–
Financial assets sold under repurchase agreements	297,910	366	298,276
Due to other financial institutions	600,000	8,925	608,925
Total current liabilities	**12,673,426**	**(57,912)**	**12,615,514**
Net current assets	**9,362,506**	**52,217**	**9,414,723**
Total assets less current liabilities	**11,392,572**	**63,936**	**11,456,508**
Equity			
Share capital	1,902,400	–	1,902,400
Share premium	2,178,478	–	2,178,478
Reserves	1,719,074	(3,414)	1,715,660
Retained earnings	1,792,620	9,438	1,802,058
Equity attributable to shareholders of the Company	7,592,572	6,024	7,598,596
Total equity	7,592,572	6,024	7,598,596
Non-current liabilities			
Bonds in issue	3,800,000	57,912	3,857,912

2. Basis of preparation and principal accounting policies (continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation (continued)

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

3. Significant judgements and key sources of estimation uncertainty related to the application of IFRS9

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group reviewed the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Except as described below, the Group's accounting judgement and key sources of estimation uncertainty has no material changes.

Measurement of expected credit losses

Since 1 January, 2018, the Group recognizes impairment loss for financial assets classified as amortized costs and other items on the basis of expected credit losses. Judgments and assumptions are used in measurement of expected credit losses, including criteria for significant increase in credit risk, complex models and assumptions for measuring expected credit losses and incorporation of forward looking information. These estimations in relevant factors will affect the measurement of expected credit losses.

4. Segment analysis

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

(a) Securities brokerage: securities trading and brokering services;

(b) Credit transaction: providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;

(c) Investment banking: corporate finance and financial advisory services to institutional clients;

(d) Proprietary trading: trading in financial products;

(e) Asset management and investment: direct investments and funds related businesses, in addition to portfolio management and maintenance, investment advisory and transaction execution services;

(f) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the period ended 30 June 2018.

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

(All amounts in RMB'000 unless otherwise stated)

4. Segment analysis (continued)

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

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

	Six months ended 30 June 2018							
	Securities brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other	Elimination	Total
(Unaudited)								
Total revenue and other income								
Commission and fee income								
– External	232,880	–	136,443	–	36,154	–	–	405,477
– Internal	–	–	9,623	–	–	–	(9,623)	–
Interest income								
– External	67,079	317,694	18,602	23,619	8,989	15,117	–	451,100
– Internal	–	–	–	–	–	–	–	–
Net investment gains								
– External	–	–	6,437	(7,593)	(11,402)	–	–	(12,558)
– Internal	–	–	–	–	–	–	–	–
Other income								
– External	174	–	–	–	–	2,920	–	3,094
– Internal	–	–	–	–	–	–	–	–
Total expenses (including reversal of impairment losses)	(223,432)	(252,253)	(87,742)	(2,020)	(13,700)	(91,177)	1,278	(669,046)
Operating profit	76,701	65,441	83,363	14,006	20,041	(73,140)	(8,345)	178,067
Other gains, net								
– External	77	–	3,138	(523)	186	3,619	–	6,497
– Internal	–	–	–	–	–	–	–	–
Share of profit of investments in associates	–	–	–	–	(1,042)	(2,407)	–	(3,449)
Profit (Loss)/before income tax	76,778	65,441	86,501	13,483	19,185	(71,928)	(8,345)	181,115

	30 June 2018							
	Security brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Others	Elimination	Total
(Unaudited)								
Total assets	6,390,423	10,186,924	1,796,526	3,278,874	2,049,414	2,583,904	(1,087,775)	25,198,290
Total liabilities	6,188,567	8,745,547	807,029	39,635	1,520,314	156,759	8,345	17,466,196

	Six months ended 30 June 2018							
(Unaudited)								
Supplemental information								
Depreciation and amortization	8,392	81	1,494	7	173	20,645	–	30,792
Impairment losses (reversal)	–	55,479	56	83	(33)	139	–	55,724
Capital expenditure	7,596	–	2,728	2	629	14,106	–	25,061

(All amounts in RMB'000 unless otherwise stated)

4. Segment analysis (continued)

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

	31 December 2017							
	Security brokerage	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other Business	Elimination	Total
(Audited)								
Total assets	6,402,279	10,876,245	1,323,288	1,723,058	2,405,760	2,423,173	(1,087,805)	24,065,998
Total liabilities	6,292,781	7,835,454	272,103	48,772	1,790,282	222,494	11,540	16,473,426

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

(All amounts in RMB'000 unless otherwise stated)

5. Commission and fee income

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Securities brokerage	**232,880**	275,029
Underwriting and sponsorship	**93,342**	40,170
Investment consultancy and financial advisory	**43,101**	30,123
Asset management	**36,154**	23,694
	405,477	369,016

6. Interest income

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest income from margin financing and securities lending	**165,398**	156,799
Interest income from bank deposits	**105,414**	133,178
Interest income from financial assets held under resale agreements	**180,288**	55,061
	451,100	345,038

(All amounts in RMB'000 unless otherwise stated)

7. Net investment gains/(losses)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Net gains from disposal of available-for-sale financial assets	**–**	83,549
Dividends and interest income from available-for-sale financial assets	**–**	6,741
Realised gains from disposal of financial assets at fair value through profit or loss	**43,680**	42,191
Distribution to interest holders of consolidated structured entities	**(67,334)**	(65,764)
Dividends and interest income from financial assets at fair value through profit or loss	**45,385**	64,862
Net realised gains from derivative financial instruments	**8,938**	808
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	**(32,480)**	1,139
– Derivative financial instruments	**(5,685)**	(99)
– Financial liabilities at fair value through profit or loss	**(5,062)**	(43,146)
	(12,558)	90,281

8. Other income

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Rental income	**2,945**	2,432
Others	**149**	48
	3,094	2,480

(All amounts in RMB'000 unless otherwise stated)

9. Commission and fee expenses

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Securities brokerage	**62,694**	72,910
Underwriting and sponsorship	**94**	472
Asset management	**1,000**	1,019
	63,788	74,401

10. Interest expenses

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Interest expenses of bonds in issue	**119,235**	75,694
Interest expenses of short-term notes	**55,500**	5,851
Interest expenses of financial assets sold under repurchase agreements	**6,357**	11,551
Interest expenses of accounts payable to brokerage clients	**13,650**	16,889
Interest expenses of due to other financial institutions	**15,262**	2,820
	210,004	112,805

(All amounts in RMB'000 unless otherwise stated)

11. Staff costs

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Salaries and bonus	**135,257**	123,866
Pension	**33,089**	36,103
Other social security	**18,552**	17,660
Labor union funds and employee education funds	**2,723**	2,553
Other welfare	**9,738**	9,344
	199,359	189,526

12. Other operating expenses

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Tax and surcharges	**5,313**	4,219
Rentals	**33,790**	26,942
Marketing and distribution expenses	**8,074**	10,105
Office expenses	**11,783**	8,197
Travelling expenses	**7,979**	10,337
Securities investors protection fund	**10,594**	4,921
Professional service expenses	**3,830**	3,879
Consulting expenses	**2,206**	4,720
Others	**25,810**	23,351
	109,379	96,671

(All amounts in RMB'000 unless otherwise stated)

13. Impairment losses/(reversal)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Available-for-sale financial assets	**–**	(3,807)
Financial assets held under resale agreements	**57,050**	5,694
Other receivables	**162**	(139)
Margin accounts receivable	**(1,564)**	(714)
Accounts receivable	**76**	–
	55,724	1,034

14. Other gains, net

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Foreign exchange gains (losses)	**2,494**	(15,786)
Others	**4,003**	3,274
	6,497	(12,512)

(All amounts in RMB'000 unless otherwise stated)

15. Income tax expense

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Current income tax expense		
– Mainland China	**78,035**	93,297
(Over)/under provision in prior years		
– Mainland China	**88**	(8,467)
	78,123	84,830
Deferred taxation		
– Mainland China (Note 21)	**(30,506)**	(18,930)
Income tax		
– Mainland China	**47,617**	65,900

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

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

16. Earnings per share

16.1 Basic earnings per share

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to shareholders of the Company (in RMB '000)	**133,498**	237,931
Weighted average number of ordinary shares in issue (in thousand)	**1,902,400**	1,902,400
Basic earnings per share (in RMB)	**0.07**	0.13

16.2 Diluted earnings per share

For the six months ended 30 June 2018 and 2017, there were no potential diluted ordinary shares, so no diluted earnings per share was presented.

17. Profit distribution

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period. (For the year ended 31 December 2016: The Company declared a final cash dividend of RMB0.14 per share, or RMB266,336 thousand in aggregate).

The directors of the Company have determined that no interim dividend will be paid in respect of the current interim period.

18. Property and equipment

During the six months ended 30 June 2018, the Group acquired property and equipment with a cost of RMB12,621 thousand (unaudited) (six months ended 30 June 2017: RMB4,820 thousand (unaudited)).

(All amounts in RMB'000 unless otherwise stated)

19. Investments in associates

Set out below are the associates of the Group as at 30 June 2018 and 31 December 2017, which, in the opinion of the directors of the Company, are material to the Group. Investment in associates as listed below are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business/ country of incorporation	% of ownership interest as at 30 June 2018	% of ownership interest as at 31 December 2017	Measurement Method
Zhonghai Fund Management Co., Ltd.[(1)]	PRC	33.41%	33.41%	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.)[(2)]	PRC	33.33%	33.33%	Equity

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

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

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

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Balance at beginning of the period/year	125,076	219,256
Additional investments	–	–
Share of profit	(3,449)	(80,912)
Share of other comprehensive income	–	1,136
Dividends declared/received	–	(14,032)
Balance at end of the period/year	121,627	125,448

20. Available-for-sale financial assets

Non-current assets

	31 December 2017 (Audited)
At cost	
Investments in unlisted companies	103,235
At fair value	
Debt instruments	15,922
Collective asset management schemes	41,947
	161,104
Analysed as	
Unlisted	161,104
	161,104

(All amounts in RMB'000 unless otherwise stated)

20. Available-for-sale financial assets (continued)

Current assets

	31 December 2017 (Audited)
At fair value	
Equity securities	637,437
Investment funds	142,660
Collective asset management schemes	119,114
	899,211
Analysed as	
Listed in Hong Kong	259,358
Listed outside Hong Kong	472,091
Unlisted	167,762
	899,211

(1) As at 31 December 2017, available-for-sale financial asset for the Group included securities lent to clients of RMB17,148 thousand.

(2) As at 31 December 2017, the fair value of securities of the Group which have been placed as collateral is RMB142,499 thousand.

(All amounts in RMB'000 unless otherwise stated)

21. Deferred tax assets and liabilities

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Balance at beginning of period/year	19,346	8,605
Credit to profit or loss (Note 15)	30,506	(6,477)
Tax (charge)/credit relating to components of other comprehensive income	–	19,349
Balance at end of the period/year	49,852	21,477

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

	Impairment losses	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of derivatives	Other	Total
As at 1 January 2017	34,662	–	–	21,162	55,824
Charge/(credit) to profit or loss	(15,676)	2,510	–	(8,196)	(21,362)
As at 31 December 2017	18,986	2,510	–	12,966	34,462
Adjustment (Note 2)	(9,060)	6,119	–	–	(2,941)
As at 1 January 2018	9,926	8,629	–	12,966	31,521
Charge/(credit) to profit or loss	13,932	8,119	1,421	2,638	26,110
As at 30 June 2018	23,858	16,748	1,421	15,604	57,631

(All amounts in RMB'000 unless otherwise stated)

21. Deferred tax assets and liabilities (continued)

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

	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at fair value through profit or loss	Changes in fair value of derivatives	Other	Total
As at 1 January 2017	20,155	248	25	26,791	47,219
Charge/(credit) to profit or loss	–	(248)	(25)	(14,612)	(14,885)
Credit to other comprehensive income	(19,349)	–	–	–	(19,349)
As at 31 December 2017	806	–	–	12,179	12,985
Adjustment (Note 2)	(806)	–	–	(4)	(810)
As at 1 January 2018	–	–	–	12,175	12,175
Charge/(credit) to profit or loss	–	–	–	(4,396)	(4,396)
As at 30 June 2018	–	–	–	7,779	7,779

22. Refundable deposits

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	**74,462**	76,738
– Shenzhen Stock Exchange	**26,971**	27,645
– China Beijing Equity Exchange	**1,323**	1,907
Deposits to futures brokers		
– Guolian Futures Co., Ltd. ("Guolian Futures")	**46,820**	–
	149,576	106,290

(All amounts in RMB'000 unless otherwise stated)

23. Other current assets

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Interest receivable	–	220,896
Accounts receivable[(a)]	35,105	39,385
Prepaid expenses	18,873	31,048
Other receivables[(a)]	23,453	19,122
Less: Impairment allowance	(1,790)	(872)
	75,641	309,579

(a) Account receivables and other receivables

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

	30 June 2018		31 December 2017	
	Amount (Unaudited)	Impairment allowance (Unaudited)	Amount (Audited)	Impairment allowance (Audited)
Up to 1 year	48,279	273	53,299	478
1 to 2 years	3,375	87	4,378	146
2 to 3 years	3,769	285	2,235	112
Over 3 years	3,135	1,145	2,710	136
	58,558	1,790	62,622	872

(All amounts in RMB'000 unless otherwise stated)

24. Margin accounts receivable

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Margin accounts receivable	3,865,923	4,623,242
Less: Impairment allowance	(13,366)	(13,901)
	3,852,557	4,609,341

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 30 June 2018, impairment allowance amounting to RMB13,366 thousand (unaudited) (31 December 2017: RMB13,901 thousand) was provided on a collective basis but no margin accounts receivable is overdue.

Margin accounts receivable as at 30 June 2018 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB10,211,443 thousand (unaudited) (31 December 2017: RMB13,626,700 thousand).

25. Financial assets held under resale agreements

Non-current assets

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analysed by asset type:		
– Equity securities	1,620,880	1,465,790
Less: Impairment allowance	(7,276)	(4,397)
	1,613,604	1,461,393
Analysed by market:		
– Shanghai Stock Exchange	299,988	841,458
– Shenzhen Stock Exchange	1,313,616	619,935
	1,613,604	1,461,393

(All amounts in RMB'000 unless otherwise stated)

25. Financial assets held under resale agreements (continued)

Current assets

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analysed by asset type:		
– Equity securities	3,953,465	3,721,455
– Debt securities	2,209,958	881,490
Less: Impairment allowance	(72,999)	(11,165)
	6,090,424	4,591,780
Analysed by market:		
– Interbank market	1,043,779	237,790
– Shanghai Stock Exchange	1,893,718	3,503,200
– Shenzhen Stock Exchange	3,152,927	850,790
	6,090,424	4,591,780

26. Financial assets at fair value through profit or loss

Non-current assets

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Financial assets mandatorily measured at fair value through profit or loss		
– Investment in unlisted companies	114,125	–
– Debt instruments	13,811	–
– Collective asset management schemes	21,052	–
Total non-current assets	148,988	–

(All amounts in RMB'000 unless otherwise stated)

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

Current assets

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Financial assets held for trading		
– Debt securities	–	2,120,482
– Equity securities	–	69,693
– Investment funds	–	121,862
	–	2,312,037
Financial assets designated at fair value through profit or loss		
– Asset backed securities	–	50,000
	–	50,000
Financial assets mandatorily measured at fair value through profit or loss		
– Debt securities	2,133,804	–
– Equity securities	701,677	–
– Investment funds	278,580	–
– Asset backed securities	41,282	–
– Collective asset management schemes	92,217	–
	3,247,560	–
Total current assets	3,247,560	2,362,037

(All amounts in RMB'000 unless otherwise stated)

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analysed as:		
Financial assets held for trading		
– Listed in Hong Kong	–	–
– Listed outside Hong Kong	–	2,312,037
– Unlisted	–	–
	–	2,312,037
Analysed as:		
Financial assets designated at fair value through profit or loss		
– Listed outside Hong Kong	–	50,000
– Unlisted	–	–
	–	50,000
Analysed as:		
Financial assets mandatorily measured at fair value through profit or loss		
– Listed in Hong Kong	88,931	–
– Listed outside Hong Kong	3,066,412	–
– Unlisted	241,205	–
	3,396,548	–

As at 30 June 2018, the fair value of securities of the Group which have been placed as collateral was RMB829,996 thousand (unaudited) (31 December 2017: RMB716,237 thousand).

(All amounts in RMB'000 unless otherwise stated)

27. Clearing settlement funds

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Clearing settlement funds held for clients	1,934,793	2,272,606
Proprietary clearing settlement funds	324,720	384,227
	2,259,513	2,656,833

28. Cash and bank balances

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bank balances	2,496,406	1,952,059
	2,496,406	1,952,059

(All amounts in RMB'000 unless otherwise stated)

29. Other current liabilities

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Salaries, bonus, allowances and benefits payable	53,505	157,882
Interest payable	–	103,080
Accounts payable	71,189	25,154
Other taxes payable	19,620	37,899
Securities investor protection fund	10,892	9,815
Others	505,487	21,572
	660,693	355,402

30. Bonds in issue

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current		
Corporate bonds with fixed rate – 2018	–	500,000
Income certificates[(a)]	1,585,430	2,320,000
	1,585,430	2,820,000
Non-Current		
Subordinated bonds with fixed rate – 2021[(b)]	1,553,873	1,500,000
Corporate bonds with fixed rate – 2020[(c)]	1,042,603	1,000,000
Corporate bonds with fixed rate – 2019[(d)]	831,463	800,000
Corporate bonds with fixed rate – 2019[(e)]	516,481	500,000
Corporate bonds with fixed rate – 2020[(f)]	715,712	–
Corporate bonds with fixed rate – 2020[(g)]	1,010,279	–
Income certificates[(h)]	303,467	–
	5,973,878	3,800,000
	7,559,308	6,620,000

(All amounts in RMB'000 unless otherwise stated)

30. Bonds in issue (continued)

(a) As at 30 June 2018, income certificate was with a maturity ranging from 1 to 12 months and bore interest rates ranging from 4.80% to 5.75% per annum paid at maturity (As at 31 December 2017, income certificates were with a maturity ranging from 1 to 12 months and bore interest rates ranging from 4.50% to 5.75% per annum paid at maturity).

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

(c) On 24 August 2017, the company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 5.00% paid annually.

(d) On 14 September 2017, the company issued RMB800,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.95% paid annually.

(e) On 16 November 2017, the company issued RMB500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.30% paid annually.

(f) On 6 February 2018, the company issued RMB700,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.65% paid annually.

(g) On 25 April 2018, the company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.60% paid annually.

(h) On 18 April 2018, the company issued RMB300,000 thousand of income certificate with a term of 547 days and bore interest rates of 5.70% per annum paid at maturity.

31. Financial liabilities at fair value through profit or loss

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Interests of other holders of consolidated structured entities	**1,497,794**	1,707,115

(All amounts in RMB'000 unless otherwise stated)

32. Derivative financial instruments

The derivative financial instruments of the Group mainly represent stock index futures contracts. The Group settles its gains or losses on stock index futures ("SIF") position on a daily basis.

	30 June 2018		31 December 2017	
	Assets (Unaudited)	Liabilities (Unaudited)	Assets (Audited)	Liabilities (Audited)
Listed options	–	724	–	–
	–	724	–	–

33. Financial assets sold under repurchase agreements

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analysed by asset type:		
– Debt securities	308,306	297,910
	308,306	297,910
Analysed by market:		
– Interbank market	189,600	187,410
– Shanghai Stock Exchange	113,704	110,500
– Shenzhen Stock Exchange	5,002	–
	308,306	297,910
Analysed by transaction type:		
– Pledged	308,306	297,910
	308,306	297,910

34. Due to other financial institutions

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Due to other financial institutions	**608,713**	600,000
	608,713	600,000

As at 30 June 2018, the taking from China Securities Finance Corporation Limited bears interest rate of 5.10% per annum, with original maturities within 182 days.

35. Share capital

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Registered, issued and fully paid share capital (in thousand)	**1,902,400**	1,902,400

(All amounts in RMB'000 unless otherwise stated)

36. Cash and cash equivalents

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

	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Cash	–	3
Bank balances	**2,496,406**	2,184,016
Proprietary clearing settlement funds	**324,720**	319,044
Cash equivalents	**2,192,685**	268,206
	5,013,811	2,771,269

37. Commitments and contingent liabilities

(1) Capital commitments

As at 30 June 2018, the Group was not involved in any material commitments (unaudited) (31 December 2017: nil).

(2) Operating lease commitments

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 1 year	**55,841**	50,735
1 to 5 years	**103,808**	110,945
Over 5 years	**28,953**	41,190
	188,602	202,870

37. Commitments and contingent liabilities (continued)

(3) Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities. As at 30 June 2018, the Group was not involved in any material legal, arbitration or administrative proceedings which the Group expected would have significant adverse impact on its financial position and operating results, should unfavorable rulings have been handed down. (31 December 2017: nil).

38. Related party transactions

38.1 Transactions and balances with the Company's controlling shareholder

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as "Guolian Group" together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,000,000 thousand. As at 30 June 2018, Guolian Group directly held 28.59% of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in the Company through its subsidiaries of Guolian Trust Co., Ltd. ("Guolian Trust"), Wuxi Municipal Electric Power Company ("Wuxi Electric"), Wuxi Yi Mian Textile Group Co., Ltd. ("Yi Mian Textile"), Wuxi Min Sheng Investment Co., Ltd. ("Min Sheng Investment") and Wuxi Huaguang Boiler Co., Ltd. ("Wuxi Huaguang Boiler").

Guolian Trust is the subsidiary of Guolian Group who directly held 65.85% of the equity interest. As at 30 June 2018, Guolian Trust held 20.51% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2018, Wuxi Electric held 14.03% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 30 June 2018, Yi Mian Textile held 3.83% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 30 June 2018, Min Sheng Investment held 3.86% of the equity interest in the Company.

Wuxi Huaguang Boiler is the subsidiary of Guolian Group who directly held 72.11% of the equity interest. As at 30 June 2018, Wuxi Huaguang Boiler held 1.53% of the equity interest in the Company.

(All amounts in RMB'000 unless otherwise stated)

38. Related party transactions (continued)

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

Transactions during the period

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Income from providing securities brokerage services	**421**	–
Income from providing asset management services	**10**	1,831
Income from providing underwriting services	**5,660**	–
Rental expense	**–**	717

Balances at the end of the period/year

	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
Cash held for brokerage clients	**7,900**	20,372
Accounts Receivable	**–**	20

In addition to the above related party transactions, the Company provided asset management services to Guolian Group. For the six months ended 30 June 2018, the asset management fee income was RMB10 thousand (unaudited) (For the six months ended 30 June 2017: RMB1,831 thousand (unaudited)).

38. Related party transactions (continued)

38.2 Other related party transactions and balances

The below table lists the Group's other significant related legal entities and the holdings of the Group's major shareholders as at 30 June 2018:

Significant related legal entities	The relationship with the Group
Guolian Trust	Fellow subsidiary
Guolian Futures	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Fellow subsidiary
Wuxi Huaguang Boiler Co., Ltd. ("Wuxi Huaguang Boiler")	Fellow subsidiary
Guolian Life Insurance Company Limited	Associate invested by the controlling shareholder of the Company
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Wuxi State-Owned Assets Supervision and Administration Committee("Wuxi SASAC")	Controlling shareholder of Guolian Group Guolian Group

(All amounts in RMB'000 unless otherwise stated)

38. Related party transactions (continued)

38.2 Other related party transactions and balances (continued)

Transactions during the period

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Income from providing securities brokerage services		
– Guolian Futures	**210**	272
– Guolian Trust	**1,142**	273
– Zhonghai Fund Management Co., Ltd.	**2,941**	2,393
– Others	**291**	276
Income from providing asset management services		
– Others	**199**	142
Income from providing underwriting services		
– Wuxi Huaguang Boiler	**–**	12,264
Rental income		
– Guolian Life Insurance Company Limited	**2,336**	1,600
– Guolian Futures	**438**	399
– Guolian Property Management	**61**	–
Rental expense		
– Guolian Xincheng	**5,858**	4,669
– Guolian Life Insurance Company Limited	**717**	–
– Others	**389**	378
Income from providing financial advisory services		
– Wuxi Huaguang Boiler	**4,538**	1,887
– Others	**1,415**	189
Expense for receiving services		
– Guolian Property Management	**890**	1,016
– Guolian Futures	**30**	253
– Others	**74**	74

(All amounts in RMB'000 unless otherwise stated)

38. Related party transactions (continued)

38.2 Other related party transactions and balances (continued)

Balances at the end of the period/year

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Accounts payable		
– Guolian Futures	80	80
– Guolian Life Insurance Company Limited	1,125	408
– Guolian Xincheng	959	–
– Others	463	–
Prepaid expense		
– Guolian Xincheng	205	–
Accounts receivable		
– Wuxi Huaguang Boiler	3,550	–
– Guolian Life Insurance Company	1,530	–
– Guolian XinCheng	409	–
– Others	1,432	8
Clearing settlement funds		
– Guolian Futures	28,088	15,732
Refundable deposits		
– Guolian Futures	46,820	–
Cash held for brokerage clients		
– Guolian Trust	14	20
– Zhonghai Fund Management Co., Ltd.	1	–
– Wuxi Huaguang Boiler	1	–
– Others	8,047	13,079

In addition to the above related party transactions, the Company provided asset management services to other related parties. For the six months ended 30 June 2018, the asset management fee income was RMB199 thousand (unaudited) (For the six months ended 30 June 2017: RMB142 thousand (unaudited).

(All amounts in RMB'000 unless otherwise stated)

38. Related party transactions (continued)

38.3 Key management personnel

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,745**	1,739
Post-employment benefits	**180**	445
	1,925	2,184

39. Financial Risk Management

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

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

Except as described below, the Group's risk management policies and procedures has no material changes.

Credit risk

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

39. Financial Risk Management (continued)

Credit risk (continued)

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

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

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 30 June 2018, the Group's collateral value is sufficient to mitigate the credit risk in margin financing.

In terms of the Group's investment in debt instruments, the Group assesses the borrowers' business performance, repayment ability, and industrial outlook before making investment decisions, and renews the credit status of borrowers at least annually.

Expected credit loss

Since 1 January 2018, The group has applied the ECL model to measure the expected credit losses for applicable financial asset.

The group has used the "3 stage" ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition.

- An asset moves to stage 1 where there has low risk of default or has not been a significant increase in credit risk and that are not credit impaired. The group will continuously monitor its credit risk

- An asset moves to stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The group does not see it as an impairment loss occurred instrument.

- An asset moves to stage 3 when impairment losses occurred.

39. Financial Risk Management (continued)

Expected credit loss (continued)

- The loss impairment for financial instruments in Stage 1 is anticipated credit losses for the next 12 months, which correspond to the amount of anticipated credit losses for the entire life time resulting from possible defaults within the next 12 months. In the second or third stage, the expected credit losses of financial instruments are measured for the entire life time and the expected credit losses are recorded

- Financial assets purchased or incurred credit impairment refer to those with credit impairment since initial recognition. The loss of these assets is measured as the expected credit loss for the entire life time.

The factors the group considers whether credit risk increases significantly refer to Note 2.1.1. In particular, for Margin accounts receivable, and financial assets held under resale agreement, the group generally believes that when the maintenance ratio reaches the warning line, the credit risk increases significantly and needs to be transferred to "stage 2", and when the maintenance ratio reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to "stage 3".

The Group uses Probability of default (PD), Exposure at Default (EAD) and Loss Given Default(LGD): to measure credit risks.

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions

- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life.

- LGD is an estimate of the loss arising on default.

The expected credit losses are measured based on the probability weighted results of Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

During the period from January 1, 2018 to 30 June 2018, no significant changes were made in the estimated technology or key assumptions.

39. Financial Risk Management (continued)

Expected credit loss (continued)

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility. Estimates of the predicted values and the likelihood of occurrence are highly inherently uncertain, so the actual results may differ significantly from the predictions. The Group believes that these projections reflect the best estimate of the group's possible results

The Group has classified exposures with similar risk characteristics when calculating anticipated credit loss impairment in a portfolio. During the classification, the group obtained sufficient information to ensure its statistical reliability.

The Group's ECL allowance of financial instruments according to the stage of ECL are as follows:

	2018/6/30			
Impairment and loss allowance	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Margin accounts receivable	1,579	168	11,619	13,366
Financial assets held under resale agreements	18,434	2,841	59,000	80,275
Others	1,702	88	–	1,790
Total	21,715	3,097	70,619	95,431

40. Fair value of financial assets and liabilities

40.1 Financial instruments not measured at fair value

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

40.2 Financial instruments measured at fair value

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(All amounts in RMB'000 unless otherwise stated)

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2018 and 31 December 2017.

Financial assets/liabilities	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss				
– Debt securities	2,133,804	2,120,482	Level 2	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of counterparty.
– Asset backed securities	41,282	50,000	Level 3	Discounted future cash flow estimated based on expected recoverable amounts at rates that reflect management's best estimation of the expected risk level.
– Equity securities and funds traded on stock exchanges	662,460	191,555	Level 1	Quoted bid price in an active market.
– Equity securities listed on National Equities Exchange and Quotation	39,217	–	Level 2	Recent transaction prices.
– Investment funds	278,580	–	Level 1	Quoted bid prices in an active market.
– Collective asset management schemes	47,442	–	Level 3	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.

(All amounts in RMB'000 unless otherwise stated)

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through profit or loss (continued)				
– Collective asset management schemes	65,827	–	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Debt instrument	13,811	–	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.
– Unlisted equity investment	114,125	–	Level 3	Calculated based on the net asset value of the unlisted equity with reference to the market value of the comparable listed company, as well as the liquidity discount impact.
Derivative financial instruments				
– Listed options liabilities	(724)	–	Level 1	Quoted bid prices in an active market.
Available-for-sale financial assets				
– Equity securities traded on stock exchanges	–	588,788	Level 1	Quoted bid prices in an active market.
– Equity securities listed on National Equities Exchange and Quotation	–	48,649	Level 2	Recent transaction prices.

(All amounts in RMB'000 unless otherwise stated)

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale financial assets (continued)				
– Investment funds	–	142,660	Level 1	Quoted bid prices in an active market.
– Collective asset management schemes	–	65,902	Level 2	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Collective asset management schemes	–	95,159	Level 3	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
– Debt instrument	–	15,922	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.
Financial liabilities at fair value through profit or loss	(1,497,794)	(1,707,115)	Level 3	Calculated based on the fair value of the underlying investments with fair value hierarchy categorized as level 3 for which an adjustment or discount for lack of marketability is applied.

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

As at 30 June 2018 (Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	662,460	39,217	114,125	815,802
– Debt securities	–	2,133,804	13,811	2,147,615
– Investment funds	278,580	–	–	278,580
– Asset backed securities	–	–	41,282	41,282
– Collective asset management schemes	–	65,827	47,442	113,269
	941,040	2,238,848	216,660	3,396,548
Liabilities				
Derivative financial liabilities	(724)	–	–	(724)
Financial liabilities at fair value through profit or loss	–	–	(1,497,794)	(1,497,794)
	(724)	–	(1,497,794)	(1,498,518)

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

As at 31 December 2017(Audited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	69,693	–	–	69,693
– Debt securities	–	2,120,482	–	2,120,482
– Investment funds	121,862	–	–	121,862
– Asset backed securities	–	–	50,000	50,000
Available-for-sale financial assets				
– Equity securities	588,788	48,649	–	637,437
– Collective asset management schemes	–	65,902	95,159	161,061
– Debt instrument	–	–	15,922	15,922
– Investment funds	142,660	–	–	142,660
	923,003	2,235,033	161,081	3,319,117
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	(1,707,115)	(1,707,115)
	–	–	(1,707,115)	(1,707,115)

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

For the six months ended 30 June 2018 and year ended 31 December 2017, there were no transfers between level 1 and level 2 of the fair value hierarchy of the Group.

(1) Financial instruments in level 1

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

(2) Financial instruments in level 2

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

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

(3) Valuation methods for specific investments

As at 30 June 2018 and 31 December 2017, the Group's valuation methods for specific investments are as follows:

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

(b) For closed-end investment funds, fair value is determined based on the closing price as at the reporting date. For open-end funds fair value is determined by trading price which is based on the net asset value as at the reporting date. For collective asset management products, fair value is determined based on the net asset value as at the reporting date.

(c) For debt securities listed through exchanges which include government bonds, corporate bonds, convertible bonds and financial bonds, fair values are determined based on the closing price of the debt securities at the date of statements of financial position within bid-ask spread.

(d) For debt securities traded through the inter-bank bond market and the over-the-counter ("OTC") market, including government bonds, corporate bonds, commercial papers, special financial bills, central bank bills, asset-backed securities and other fixed income debt securities, fair values are determined using valuation techniques.

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2018 and 30 June 2017.

	Financial assets at fair value through profit or loss – Collective asset Management scheme RMB'000	Financial assets at fair value through profit or loss – Debt instrument RMB'000	Financial assets at fair value through profit or loss – unlisted equity investment RMB'000	Financial assets at fair value through profit or loss – Asset Backed Securities RMB'000
(Unaudited)				
Balance at 1 January 2018	95,159	15,922	121,134	50,585
Fair value change	(8,707)	882	1,342	–
Increase	–	–	–	8,209
Decrease	(39,010)	(2,993)	(8,351)	(17,512)
Balance at 30 June 2018	47,442	13,811	114,125	41,282
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under "Net investment gains"/"Impairment losses"	(11,890)	910	911	–

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

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

(All amounts in RMB'000 unless otherwise stated)

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

	Financial liabilities at fair value through profit or loss
(Unaudited)	
Balance at 1 January 2018	1,707,115
Consolidation of structured entities	–
Losses recognized in profit or loss	72,396
Issue	–
Settlements	(281,717)
Balance at 30 June 2018	1,497,794
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period under "Net investment gains"	(5,062)

(All amounts in RMB'000 unless otherwise stated)

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

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

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Debt Securities	Level 3	• Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of counterparty.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value
Financial assets at fair value through profit or loss – Asset backed securities	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value
Financial assets at fair value through profit or loss – Unlisted equity investment	Level 3	• Calculated based on the net asset value of the unlisted equity with reference to the market value of the comparable listed company, as well as the liquidity discount impact.	• Discount rates that correspond to lack of marketability.	• The lower the discount rate, the higher the fair value
Financial liabilities at fair value through profit or loss	Level 3	• Calculated based on the fair value of the underlying investments with fair value hierarchy categorized as level 3 for which an adjustment or discount for lack of marketability is applied.	• Expected fair value of the underlying investments. • Discount rates that correspond to lack of marketability.	• The higher the fair value of the underlying investments, the higher the fair value.

40. Fair value of financial assets and liabilities (continued)

40.2 Financial instruments measured at fair value (continued)

Financial assets/liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Available-for-sale financial assets – Debt instrument	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value
Financial assets at fair value through profit or loss – Collective asset management scheme	Level 3	• Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.	• Expected fair value of the underlying investments. • Discount rates that correspond to lack of marketability.	• The higher the fair value of the underlying investments, the higher the fair value. • The lower the discount rate, the higher the fair value

41. Events after the end of the reporting period

The group has no significant events after the end of the reporting period.