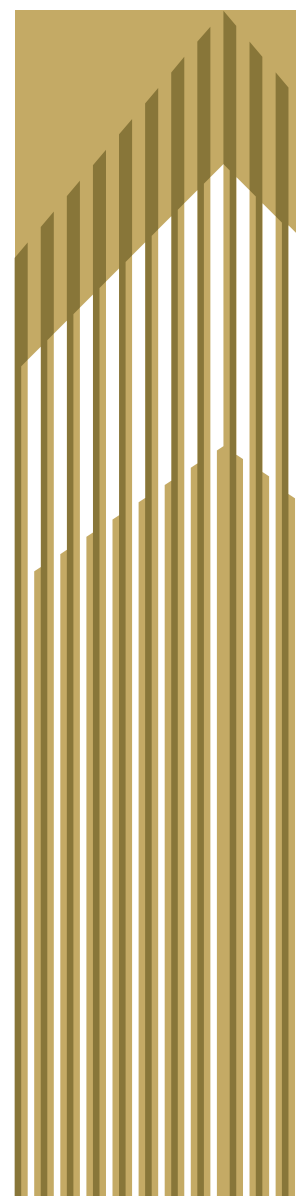




2018

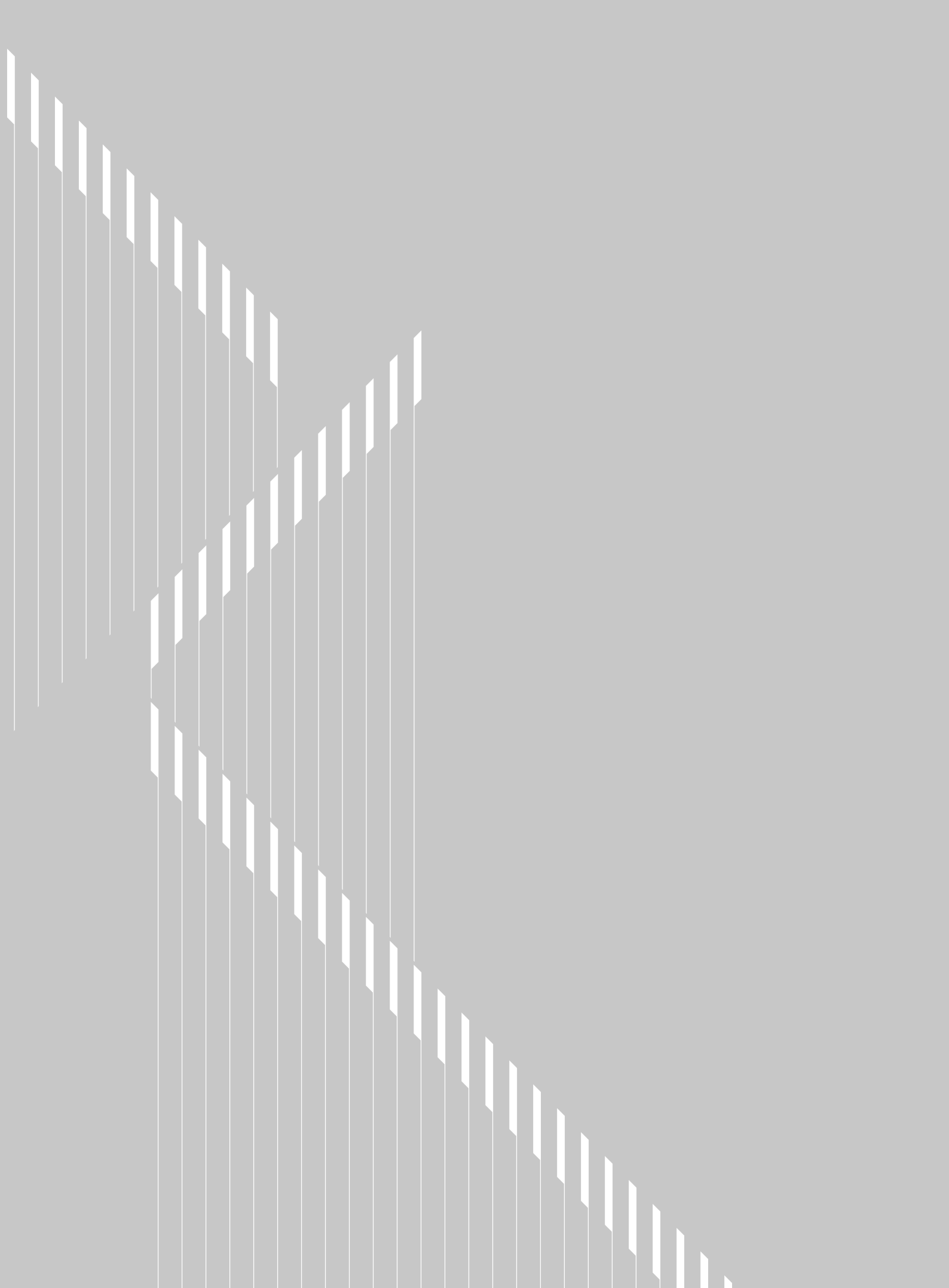
INTERIM REPORT

Stock Code: 6886



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





CONTENTS

01

About Us

Important Notice	002
Definitions	004
Company Profile	006
Summary of the Results	012
Major Events of the Company	016

03

Corporate Governance

Changes in Ordinary Shares and Shareholders	098
Directors, Supervisors and Senior Management	104
Corporate Bonds	108

02

Operating Analysis and Strategies

Summary of the Company's Business	020
Management Discussion and Analysis	028
Major Events	072

04

Financial Report and Documents for Inspection

Report on Review of Interim Financial Report	116
Index of Documents for Inspection	234
Information Disclosure of Securities Companies	234
Appendix	235



About Us

Important Notice	002
Definitions	004
Company Profile	006
Summary of the Results	012
Major Events of the Company	016

Important Notice

I. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company undertake that the information in this interim report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint legal liabilities to the information contained herein.

II. Particulars of absent directors

Position of absent director	Name of absent director	Reason for absence	Name of proxy
Director	PU Baoying	Business engagement	CHEN Ning
Director	GAO Xu	Business engagement	CHEN Ning
Director	ZHOU Yong	Business engagement	XU Feng

III. This interim report has not been audited.

IV. Zhou Yi, officer in charge of the Company, Shu Ben'e, officer in charge of accounting of the Company, and Fei Lei, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant and guarantee that the financial report contained in the interim report is true, accurate and complete.

V. The profit distribution plan or the conversion plan of reserves to share capital for the Reporting Period considered by the Board

According to the 2018 interim financial statements of the Company, the undistributed profit of the parent company as of the end of June 2018 was RMB16,418,500,270.46. According to the relevant requirements of the Company Law, the Securities Law, the Financial Rules for Financial Enterprises (《金融企業財務規則》) and the Articles of Association of the Company, the undistributed profit of the parent company can only be distributed after deducting 10% statutory surplus reserve, 10% general risk reserve and 10% trading risk reserve, that of RMB963,082,554.28 for January to June 2018 in total, after which, the accumulated profit of the parent company available for distribution to investors as of the end of June 2018 was RMB15,455,417,716.18.

According to the relevant requirements of the CSRC, gains arising from the fair value changes in distributable profit of securities companies may not be used for cash distribution to shareholders. As of the end of June 2018, gains arising from the fair value changes in distributable profit of the parent company was RMB509,972,315.84, after the required deduction, the distributable profit of the parent company available for distribution to investors in cash was RMB14,945,445,400.34.

The Company has completed the Non-Public Issuance of A Shares. Therefore, after comprehensive consideration of factors such as the interests of shareholders and the development of the Company, it is recommended that the 2018 interim profits be distributed as follows:

1. The Company will distribute cash dividend of RMB3.00 per 10 shares based on the Company's total share capital of 8,251,500,000 shares, with the total cash dividend of RMB2,475,450,000.00. The undistributed profit available for distribution to investors of RMB12,469,995,400.34 will be carried forward to the next year.

2. Cash dividend is denominated and declared in RMB and paid to holders of A shares in RMB and to holders of H shares in HKD. The actual distribution amount in HKD would be calculated at the rate of average basic exchange rate of RMB against HKD issued by the PBOC for the five business days prior to the date of Extraordinary General Meeting of 2018 for reviewing this proposal.

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

Forward-looking statements including future plans and development strategies involved in this interim report do not constitute the Company's substantive commitments to investors. The investors are advised to pay attention to investment risks.

VII. There is no non-operating misappropriation of funds of the Company by any of the controlling shareholders and their related parties.

VIII. The Company has not provided any guarantees in favor of others in violation of the decision-making procedures.

IX. The interim report of the Company is prepared in both Chinese and English. In the event of any inconsistency, the Chinese version should prevail.

X. Warning on Major Risks

Macroeconomy and monetary policies, laws and regulations influencing financial and securities industries, rising and falling trends in commercial and financial industries, inflation, exchange rate fluctuations, availability of long and short-term market capital sources, fund-raising costs and interest rate levels and fluctuations and overall economic and political conditions may have an impact on the Company's business. Besides, like other companies in the securities industry, inherent risks in the securities market, such as market volatility and trading volume, may also affect the Company's business. The Company cannot guarantee the sustainability of favorable political economy and market conditions.

Main risks in business operation include: policy risks from national macro-control measures, changes in laws, regulations, relevant regulatory policies and transaction rules in securities industry, which will adversely influence the business of securities companies; compliance risks from business management or professional activities violating laws, regulations or codes, which cause the Company being punished by laws, being taken regulatory measures, suffering from property loss or reputation loss; legal risks from failure to abide by provisions and requirements in laws and regulations, which make the Company face litigations, compensation, and fines and suffer from loss; market risk that results in losses of the Company's assets as a result of the fluctuations of market prices such as interest rate, exchange rate, share price and commodity price; credit risks from default of products or floaters or counterparties (clients), which make the Company suffer from loss; liquidity risks from inability to obtain sufficient funds at reasonable cost to pay matured debts, fulfil other payment obligations and satisfy the capital needs for normal business; information and technology risks such as various technical failure or data leakage of the Company's information system from internal and external reasons, which consequently cause loss as the information system is impossible to guarantee the stability, high-efficiency and safety of transactions and business management in business realization, response speed, disposal capacity, data encryption and so on; operational risks from incomplete or problematic internal procedures, personnel or systems or external incidents, which cause loss; reputation risks from business operation, management and other behaviors or external incidents which lead to negative judgment on the Company from relevant media. Besides, with the advancement of the Company's internationalization strategy, the Company's business will enter the United States, Hong Kong and other regions, and the Company will face more complex market environment and regulatory requirements.

Definitions

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

"360"	360 Security Technology Inc. (三六零安全科技股份有限公司)
"A Share(s)"	domestic share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and to be subscribed for and traded in RMB
"APP"	Application
"Articles of Association"	the articles of association of the Company, as amended from time to time
"AssetMark"	AssetMark Financial Holdings, Inc.
"AUM"	asset under management
"Board" or "Board of Directors"	the board of Directors of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"CAGR"	compound annual growth rate
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan
"China Southern Asset Management"	China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司)
"Communications Holding"	Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)
"Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 and became effective on March 1, 2014
"CSI 300 Index"	an index consisting of 300 index sample stocks which are most representative selected by the Shanghai Stock Exchange and Shenzhen Stock Exchange jointly with the scale and liquidity as the basic standards
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of the Company
"FICC"	fixed income, currency and commodity
"Group, Our Group, we or us"	the Company and its subsidiaries, and their respective predecessors
"Guoxin Group"	Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)
"H Share(s)"	foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and to be subscribed for and traded in HK dollars
"Hang Seng China Enterprises Index"	Hang Seng China Enterprise Index (HSEI or H-share Index) reflects the performance of the larger H-shares listed on the Hong Kong Stock Exchange. Unlike the Hang Seng Index, the number of constituents of the HSCEI is not limited, but such constituents must be the H shares of the maximum market value and within the constituent stocks of the Hang Seng Composite Index
"HK\$", "HKD" or "HK dollars"	the lawful currency of Hong Kong
"HKEx"	Hong Kong Exchanges and Clearing Limited (香港交易及結算所有限公司)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)
"Huatai Asset Management"	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券(上海)資產管理有限公司), a wholly-owned subsidiary of the Company
"Huatai International"	Huatai International Financial Holdings Company Limited (華泰國際金融控股有限公司), a wholly-owned subsidiary of the Company
"Huatai Financial Holdings (Hong Kong)"	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股(香港)有限公司), a wholly-owned subsidiary of Huatai International
"Huatai Futures"	Huatai Futures Co., Ltd. (華泰期貨有限公司), a holding subsidiary of the Company
"Huatai Innovative Investment"	Huatai Innovative Investment Co., Ltd. (華泰創新投資有限公司), a wholly-owned subsidiary of the Company

"Huatai Zijin Investment"	Huatai Purple Gold Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of the Company
"Huatai United Securities"	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), a holding subsidiary of the Company
"Huatai-PineBridge"	Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司)
"IPO"	the initial public offering
"IT"	information technology
"Jiangsu Equity Exchange"	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a holding subsidiary of the Company
"Jiangsu SASAC"	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省人民政府國有資產監督管理委員會)
"Listing Rules" or "Hong Kong Listing Rules"	the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"MSCI"	Morgan Stanley Capital International Index
"NEEQ"	National Equities Exchange and Quotation (全國中小企業股份轉讓系統)
"NMAU"	the number of monthly active users
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"OTC"	over-the-counter
"our Company", "Company", "Parent Company", "HTSC" or "Huatai Securities"	a joint stock company incorporated in the PRC with limited liability under the corporate name 華泰證券股份有限公司 (Huatai Securities Co., Ltd.), converted from our predecessor 華泰證券有限責任公司 (Huatai Securities Limited Liability Company) on December 7, 2007, carrying on business in Hong Kong as "HTSC", and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese approved name of "華泰六八八六股份有限公司" and English name of "Huatai Securities Co., Ltd."; the H Shares of which have been listed on the main board of the Hong Kong Stock Exchange since June 1, 2015 (Stock Code: 6886); the A Shares of which have been listed on the Shanghai Stock Exchange since February 26, 2010 (Stock Code: 601688), unless the context otherwise requires, including its predecessor
"PBOC"	the People's Bank of China
"PC"	personal computer
"QDII"	qualified domestic institutional investor
"QFII"	qualified foreign institutional investor
"Reporting Period"	the six months period ended from January 1, 2018 to June 30, 2018
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Clearing House"	The Interbank Market Clearing House Co., Ltd. (銀行間市場清算所股份有限公司)
"Shanghai Stock Exchange or SSE"	the Shanghai Stock Exchange (上海證券交易所)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"SSE 50 Index"	an index consisting of 50 index sample stocks with large scale and good liquidity, which are most representative in the securities market of Shanghai selected by the Shanghai Stock Exchange
"Supervisor(s)"	supervisor(s) of the Company
"Wind Information"	Wind Information Co., Ltd., a service provider of financial data, information and software in Mainland China
"TAMP"	turn-key asset management platform, a technological platform providing services such as investment products and strategies and assets portfolio management, customer relationship and asset custody, as well as corporate operation
"USD" or "US dollar"	the lawful currency of the United States of America
"VAR"	value at risk
"%"	per cent

In the 2018 Interim Report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding.



Company Profile

I. COMPANY INFORMATION

Chinese name of the Company

华泰证券股份有限公司

Abbreviation of Chinese name of the Company

华泰证券

English name of the Company

HUATAI SECURITIES CO., LTD.

Abbreviation of English name of the Company

HTSC

Legal representative of the Company

Zhou Yi

General manager of the Company

Zhou Yi

Authorized representatives of the Company

Zhou Yi, Zhang Hui

Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of the previous year
Registered capital	7,162,768,800.00	7,162,768,800.00
Net capital	50,891,810,970.72	46,742,933,091.84

Qualifications of each of the business lines of the Company

During the Reporting Period, the qualifications of each of the business lines of the company had no change.

According to the business license issued by Jiangsu Provincial Administration for Industry and Commerce, the business scope of the Company includes: securities brokerage, proprietary trading of securities, securities underwriting (limited to underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy financial bonds) only), securities investment consulting, intermediary introduction business for futures companies, margin financing and securities lending business, agency sale of financial products, agency sale of securities investment funds, custody for securities investment funds, agency services for gold and other precious metals spot contracts and proprietary business for spot gold contracts, stock options market making business, other business activities approved by the CSRC (projects that need to be approved by law shall be carried out upon approval by relevant authorities).

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

Members of the Board of Directors		Members of Special Committees	
Executive Director	Mr. ZHOU Yi (Chairman, President)	Development Strategy Committee	Mr. ZHOU Yi (Chairman) Mr. GAO Xu Mr. LIU Hongzhong
Non-executive Directors	Ms. PU Baoying	Compliance and Risk Management Committee	Ms. PU Baoying (Chairman) Mr. XU Qing Mr. ZHOU Yong
	Mr. GAO Xu		
	Mr. CHEN Ning	Audit Committee	Mr. LEE Chi Ming (Chairman) Mr. CHEN Ning Mr. LIU Hongzhong
	Mr. XU Feng		
	Mr. XU Qing		
Independent Non-executive Directors	Mr. ZHOU Yong	Nomination Committee	Mr. CHEN Chuanming (Chairman) Mr. XU Feng Ms. LIU Yan
	Mr. CHEN Chuanming		
	Mr. LIU Hongzhong	Remuneration and Appraisal Committee	Mr. CHEN Chuanming (Chairman) Mr. XU Feng Ms. LIU Yan
	Mr. LEE Chi Ming		
Ms. LIU Yan			
Mr. CHEN Zhibin			

III. CONTACT

	Secretary of the Board	Securities affairs representative
Name	Zhang Hui	Luo Yi
Address	10/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province	12/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province
Tel. No.	025-83387793, 83388272, 83389157	025-83387788
Fax	025-83387784	025-83387784
Email	zhanghui@htsc.com	luoyi@htsc.com
Joint company secretaries		
Name	Zhang Hui	Kwong Yin Ping Yvonne
Address	10/F, Building 1, No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong

IV. CHANGE IN BASIC INFORMATION

Registered address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province
Postal codes of registered address of the Company	210019
Office address of the Company	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province
Postal codes of office address of the Company	210019
Principal place of business in Hong Kong	Room 4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Company website	http://www.htsc.com.cn
Email	boardoffice@htsc.com
Main exchange	025-83389999
Customer service hotline	95597 or 4008895597
Company fax	025-83387784
Business License Unified Social Credit Code	91320000704041011J
Brief of Index inclusion	SSE 50, CSI 300, HSCEI
Update on the Reporting Period	No change during the Reporting Period

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

Name of newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of interim report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of interim report	http://www.hkexnews.hk
Location for inspection of interim report of the Company (A Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province; Shanghai Stock Exchange
Location for inspection of interim report of the Company (H Share)	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province; Room 4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Update on the Reporting Period	No change during the Reporting Period

VI. LANGUAGE AND MEANS OF RECEIPT OF CORPORATE COMMUNICATION

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

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

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

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

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

VII. SHARES OF THE COMPANY

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

Stock name before change: Nil

VIII. OTHER INFORMATION

(I) Legal Advisors

Domestic legal advisor engaged by the Company	Shanghai Allbright Law Offices
Office Address	9, 11, 12/F, Shanghai Tower, No.501 Yincheng Middle Road, Pudong New Area, Shanghai
Overseas legal advisor engaged by the Company	Clifford Chance
Office Address	27/F, Jardine House, One Connaught Place, Central, Hong Kong

(II) Accountants

Accounting firm engaged by the Company (domestic)	KPMG Huazhen LLP
Office Address	8/F, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC
Accounting firm engaged by the Company (overseas)	KPMG
Office Address	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

(III) Share registrars

Share registrar for A Share	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Office Address	36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC
Share registrar for H Share	Computershare Hong Kong Investor Services Limited
Office Address	17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

Summary of the Results

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

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

(I) Key Accounting Data

Unit and Currency: RMB thousand

Items	Reporting Period	Corresponding period of the previous year	Change (%)
Total revenue and other income	11,979,979	12,420,115	(3.54)
Profit before income tax	4,020,480	3,986,863	0.84
Profit for the period—attributable to shareholders of the Company	3,158,898	2,993,250	5.53
Net cash generated from/(used in) operating activities	16,064,051	(2,251,987)	N/A
Total other comprehensive income for the period, net of tax	(249,229)	208,825	(219.35)
	As at the end of the Reporting Period	As at the end of the previous year	Change (%)
Total assets	395,638,307	381,482,540	3.71
Total liabilities	304,187,275	292,892,628	3.86
Total equity attributable to shareholders of the Company	90,172,250	87,335,938	3.25
Total equity	91,451,032	88,589,912	3.23
Total share capital (shares)	7,162,768,800	7,162,768,800	—

(II) Key Financial Indicators

Key Financial Indicators	Reporting Period	Corresponding period of the previous year	Change (%)
Basic earnings per share (in RMB per share)	0.44	0.42	4.76
Diluted earnings per share (in RMB per share)	0.44	0.42	4.76
Weighted average return on net assets (%)	3.58	3.50	2.29
Gearing ratio (%)	72.09	70.60	2.11
Net assets attributable to the shareholders of the Company per share (in RMB per share)	12.59	11.95	5.36

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

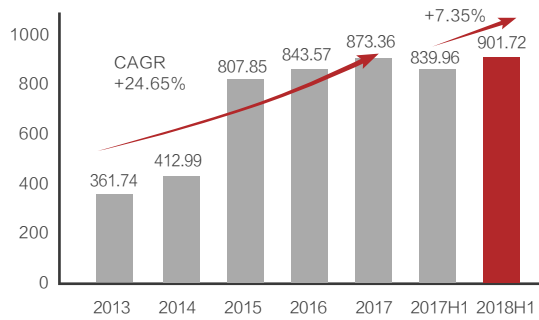
(III) Net Capital and Risk Control Indicators of the Parent Company

Unit: Yuan Currency: RMB

Items	As at the end of the Reporting Period	As at the end of the previous year
Net capital	50,891,810,970.72	46,742,933,091.84
Net assets	81,575,683,299.78	78,682,800,778.57
Net capital/the sum of various risk provisions (%)	210.09	193.75
Net capital/net assets (%)	62.39	59.41
Net capital/liabilities (%)	30.95	29.75
Net assets/liabilities (%)	49.61	50.08
Value of proprietary equity securities and derivatives/net capital (%)	62.53	60.50
Value of proprietary fixed income securities/net capital (%)	139.03	108.16
Core net capital	42,431,810,970.72	40,742,933,091.84
Supplementary net capital	8,460,000,000.00	6,000,000,000.00
The sum of various risk capital provisions	24,223,775,222.46	24,125,200,293.77
Total on-balance and off-balance assets	266,666,357,022.22	249,717,303,395.43
Capital leverage ratio (%)	18.47	19.05
Liquidity coverage ratio (%)	285.66	619.25
Net stable funding ratio (%)	135.05	130.39

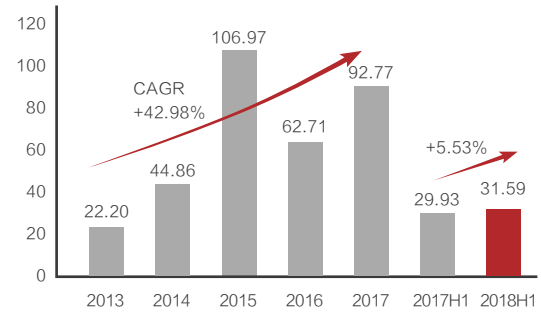
(IV) Key Performance Indicators

Total Equity attributable to shareholders of the Company
Unit and Currency: RMB100 million



Source: Regular reports of the Company

Profit for the period—attributable to shareholders of the Company
Unit and Currency: RMB100 million



Source: Regular reports of the Company

WEALTH MANAGEMENT BUSINESS	INSTITUTIONAL SERVICES BUSINESS	INVESTMENT MANAGEMENT BUSINESS	INTERANTIONAL BUSINESS
Trading volume of stocks and funds transaction RMB 7.58 trillion  Market ranking	Equity underwriting amount RMB 82.952 billion  Market ranking	Average monthly scale of assets under management RMB 922.848 billion  Market ranking	AssetMark AUM USD 45.274 billion
Number of monthly active users of ZhangLe Fortune Path RMB 6.5550 million  Market ranking	Bond underwriting amount RMB 83.951 billion  Market ranking	Monthly average scale of assets under active management RMB 226.681 billion  Market ranking	The Market Share of AssetMark 9.7%  Market ranking
Balance of margin financing and securities lending business RMB 52.321 billion	Number of merger, acquisition and reorganization (approved by the SFC) 8  Market ranking	The number of enterprise asset securitization issuance 16  Market ranking	Explanations: the amount and ranking of trading volume of stocks and funds transaction are quoted from the statistical table of the securities companies operating data of the Securities Association of China; the statistics and ranking of number of monthly active users of ZhangLe Fortune Path are quoted from the statistics of Analysis in June 2018; the balance of margin financing and securities lending business is quoted from the Company's regulatory reporting; the pending repurchase balance of stock pledged repurchase business is quoted from the Company's regulatory reporting; the amounts and rankings of equity underwriting and bond underwriting are quoted from WIND information; the number, amount and ranking of mergers and acquisitions and restructuring deals are quoted from the data of mergers and acquisitions and restructuring deals prepared on the basis of public information and approved by the CSRC; the monthly averaged scales and rankings of asset management and active asset management are quoted from the 2018 second quarter statistics from Asset Management Association of China; the total amount of enterprise asset securitization issuance and its ranking are quoted from WIND information; AUM by AssetMark are quoted from the internal statistics of the Company by the end of the second quarter of 2018; the market share of AssetMark and its ranking are quoted from Cerulli Associates and relevant public information in terms of the analysis of the TAMP industry by the end of the first quarter of 2018; for the terms without special illustration, the information are from the statistics by the end of the Reporting Period and the statistics for the Reporting Period.
Pending repurchase balance of stock pledged repurchase business RMB 77.226 billion	Amount of merger, acquisition and reorganization (approved by the SFC) RMB 70.454 billion  Market ranking	Scale of enterprise asset securitization issuance RMB 37.061 billion  Market ranking	

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

There was no difference between the net profit for January to June 2018 and January to June 2017 and net asset as of June 30, 2018 and December 31, 2017 set out in both consolidated financial statements as prepared under China Accounting Standards for Business Enterprises and consolidated financial statements as prepared under the International Financial Reporting Standards.

Major Events of the Company

Huatai Securities was established in 1991, and with its steady development for 27 years, it has been a leading large-scale integrated securities group with both A shares and H shares listed.

601688.SH



6886.HK

1991



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

2006



The Company became the holding company of Huatai United Securities.



Huatai Financial Holdings (Hong Kong) Limited was established.

2010



The A shares of the Company were listed on the Shanghai Stock Exchange.

1991

1993

2006

2008

2010

2015

1993



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

2008



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

2015



The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

2016



The Company acquired ASSETMARK in the United States.

2016

2017



MATIC, an integrated financial service platform for professional investors, was launched.



The first publicly offered fund of Huatai Asset Management was launched.

2017



Huatai Securities released ZhangLe Fortune Path APP5.0.



The reorganization of 360 for which Huatai United Securities served as Exclusive Financial Adviser was approved.

2018



The number of registered users and downloads of ZhangLe Fortune Path exceeded 42 million.



The Company's overall pilot plan to deepen the mixed ownership reform was approved.

2018



The Company completed the non-public issuance of A Shares smoothly and raised funds exceeded RMB14.0 billion.



Standard & Poor's and Moody's awarded BBB and Baa2 long-term issuer rating to the Company respectively, and the rating outlook is stable.

EFFICIENCY

HONESTY

PRUDENCY

INNOVATION

02



Operating Analysis and Strategies

Summary of the Company's Business	020
Management Discussion and Analysis	028
Major Events	072

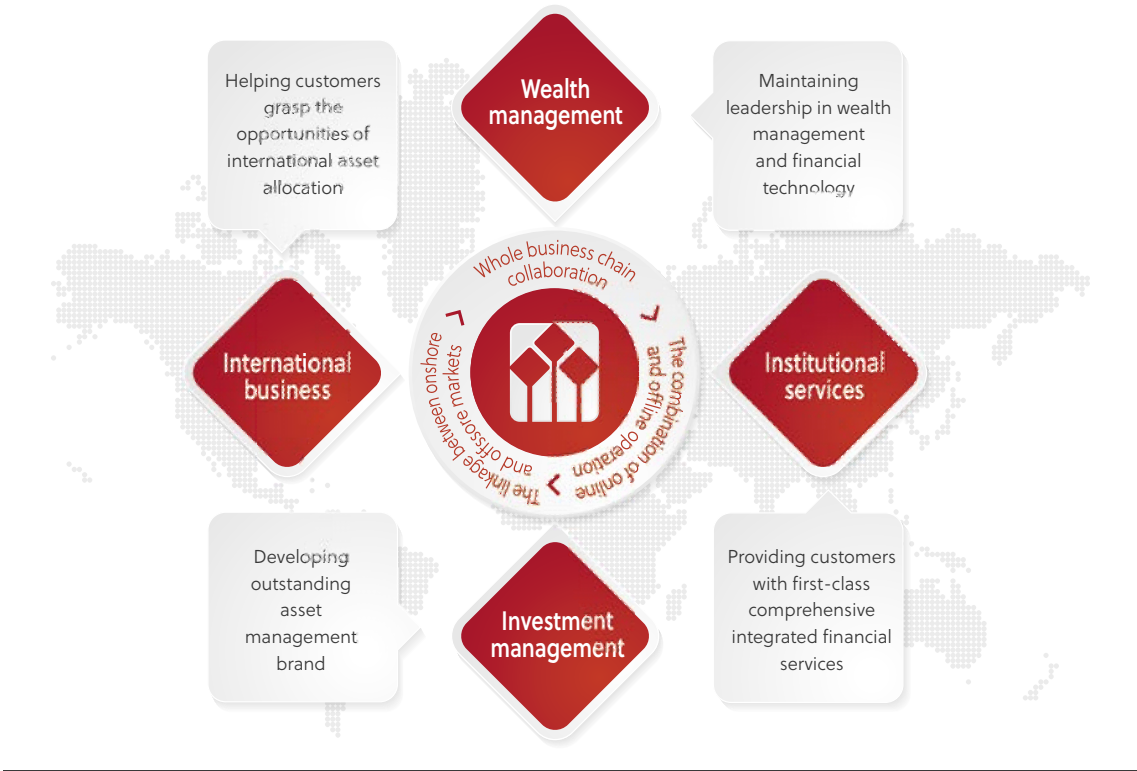


Summary of The Company's Business

Strategic vision >

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

We are a leading integrated securities group in China, with a substantial customer base, a leading e-Platform and a highly collaborative full-service business model. Our principal business lines comprise wealth management, institutional services, investment management and international business. We construct a client-based organizational mechanism, provide comprehensive securities and financial services for individual and institutional clients to meet their financial needs through a combined and organic online-offline method, and aim to become a leading integrated financial group with strong domestic advantages and global vision.



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

Wealth management business	<p>We provide customers with diversified wealth management services, including securities, futures and options brokerage, financial products sales, and capital-based intermediary business through the mobile terminal "ZhangLe Fortune Path", professional PC platform, subsidiaries, and securities and futures business departments through the online and offline linkage, and domestic and overseas linkage. For securities, futures and options brokerage, we mainly execute trades on behalf of our clients in stocks, funds, bonds, futures and options, etc. to provide trading services. For financial products sales business, we provide customers with a variety of financial products sales services and asset allocation services, and the related financial products are managed by the Company and other financial institutions. In respect of capital-based intermediary business, we provide diversified financing services including margin financing and securities lending as well as stock pledged lending. Key drivers to wealth management business include fee and commission income, interest income, etc.</p>
Institutional services business	<p>We carry out a strategy which is led by investment banking with institutional sales as the link and an integration of business resources such as investment and trade, research and asset custody, to provide all-round comprehensive financial services, which mainly include investment banking, research and institutional sales, investment and trading and asset custody, for various types of enterprises and financial institutions.</p> <p>(1) Investment banking business primarily consists of equity underwriting, debt underwriting, financial advisory and OTC business. For equity underwriting business, we provide IPO and equity refinancing services for our clients. For debt underwriting business, we provide various types of bond financing services for our clients. For financial advisory business, we provide clients with mergers-oriented financial advisory services based on industrial layout with a strategic point of view. For OTC business, we provide clients with NEEQ listing and follow-on financing services, and relevant OTC businesses engaged in by Jiangsu Equity Exchange. Key drivers to investment banking include advisory fees, underwriting and sponsorship fees, etc.</p> <p>(2) Research and institutional sales business mainly consists of research business and institutional sales business. For research business, we provide various professional research services for clients. For institutional sales business, we promote and sell securities products and services to clients. Key drivers to research and institutional sales business include incomes from services concerning various research and financial products.</p> <p>(3) Our investment and trading business primarily consists of equity securities investment and trading, fixed-income investment and trading, and OTC financial products and trading. For our equity securities investment and trading business, we engage in the investment and trading of stocks, ETFs and derivatives for our own account and also engage in market-making services for exchange-traded financial products. For our fixed-income investment and trading business, we engage in the investment and trading of various types of fixed-income securities and derivative instruments on interbank bond market and stock exchanges for our own account and engage in market-making services in the interbank bond market. For OTC financial products and trading business, we offer and trade OTC financial products, mainly including equity return swaps and structured notes for clients. We also engage in providing market-making and quotation services on the NEEQ. Furthermore, we engage in commodities trading for precious metal such as gold. Key drivers to investment and trading business include investment income from equity, fixed-income products and derivatives, and others.</p> <p>(4) Our asset custody business mainly consists of asset custody and fund services for private funds, mutual funds and various types of assets management institutions. Key drivers to asset custody business include fees for fund custody and service fee.</p>
Investment management business	<p>Commissioned by client funds, we develop and provide various financial products for our clients and manage their assets through our professional investment research platform and substantial client base to satisfy their investment and financing needs. Our investment management business mainly consists of asset management for securities firms, private equity fund management and asset management for fund companies. For asset management business for securities firms, we participate in the operation of asset management business for securities firms, which includes collective asset management, targeted asset management, specialized asset management and public offering fund management, through our wholly-owned subsidiary Huatai Asset Management. For private equity fund management business, we invest in and manage private equity funds through our wholly-owned subsidiary Huatai Zijin Investment. For asset management business for fund companies, we hold non-controlling interests in two mutual fund management companies, namely China Southern Asset Management and Huatai-PineBridge, through which we participate in the operation of asset management business for fund companies. Key drivers to asset management business include management fee, performance fee and investment income.</p>
International business	<p>We enforce cross-border linkage and collaboration comprehensively to better meet the diversified financial demands of domestic clients to "go global" and overseas clients to "come into China" and establish a cross-border integrated financial service platform.</p> <p>We engage in the operation of international business, mainly consisting of investment banking, brokerage and wealth management, research and institutional sales, equity derivatives, fixed-income sales and trading and asset management business etc., through Huatai International, a wholly-owned subsidiary of the Company, and its Hong Kong operations, and AssetMark in the United States. For investment banking business, we provide both Chinese and foreign corporations with equity and debt management, advisory on cross-border merger and acquisition ("M&A") and financing solutions. For brokerage and wealth management business, we provide securities trading services on multiple overseas markets for Hong Kong and US stocks, and overseas asset allocation and wealth management services for our clients. For research and institutional sales, we provide our clients with an integrated research and institutional sales service at home and abroad with the coverage of all industries. For equity derivatives business, we perform cross-border equity derivative trading, design and sales business to provide various capital-based equity intermediary services for our clients. For fixed-income sales and trading business, we provide comprehensive fixed-income sales and trading services, including market-making services, across-asset categories sales, and structured products for our clients. For asset management, we provide institutional clients, high net worth clients and retail clients with portfolio and fund management services.</p> <p>AssetMark is a leading turn-key asset management platform in the United States and a third-party financial service institution that provides investment strategies and asset portfolios management, customer relations management, asset custody and a series of services and advanced and convenient technology platform for investment advisors.</p> <p>Key drivers to international business include brokerage commission, underwriting sponsorship fee, advisory fee, interest income and asset management fee.</p>

II. Awards and Honors

(I) Key awards and honors of the Group

<p>Listed company</p>	<p>“The 7th Cross-Strait Financial Summit Forum 2018 and Awarding Ceremony” hosted by Fujian Zhongjin Online Network Co., Ltd. (“CNFOL”):</p> <p>🏆 The Company was awarded “Listed Company of Best Brand Value”</p>
<p>Social responsibilities</p>	<p>Jiangsu Leading Group of Poverty Alleviation:</p> <p>🏆 Jiangsu Provincial Advanced Unit in “Five-party Linkage” Assistance Work for 2016-2017 (2016-2017 年度江蘇省 “五方掛鉤” 幫扶工作先進單位)</p>
<p>Others</p>	<p>“New Finance · New Development 2018 Finance Development Summit and 2017 China Top Finance Awarding Ceremony” hosted by The Paper:</p> <p>🏆 The Company was awarded “Innovative Broker of the Year” and “Inclusive Finance of the Year”</p>

(II) Key awards and honors of the business segments of the Company

<p>Wealth management business</p>	<p>“New Era Capital Forum and Golden Horse Awarding Ceremony” jointly organized by Securities Daily and Chongyang Institute for Financial Studies at Renmin University of China:</p> <p>🏆 The Company was awarded “Golden Horse Award - Best Intelligent Broker”</p> <p>The Awarding Ceremony of “11th Golden Cicada Award” hosted by China Times:</p> <p>🏆 The Company was awarded “Excellent Wealth Management Securities Company of the Year of 2017”</p> <p>The Selection of “2017 Leading China” hosted by JRJ.com:</p> <p>🏆 The Company won “Outstanding Investment Advisor Service Award” and “Outstanding Securities Service Award”</p>	<p>The data from Analysys:</p> <p>🏆 ZhangLe Fortune Path ranked top in the industry in terms of monthly active users by the end of the first half of 2018</p> <p>The Selection of “2017 Golden Phoenix in Finance” hosted by IFENG.COM and FINANCE.IFENG.COM:</p> <p>🏆 ZhangLe Fortune Path was awarded “Best App in Innovative Marketing of the Year of 2017”</p> <p>The Selection of “Best APP of Securities Companies of the Year of 2017” hosted by Sina Finance:</p> <p>🏆 ZhangLe Fortune Path was on the list of “Top Ten APPs”, “Users’ Favorite APP” and “The Most Recommended App by Securities Professionals”</p>
--	---	---

<p>Institutional services business</p>	<p>The Shanghai Stock Exchange: 🏆 Huatai United Securities was awarded "Excellent Corporate Bond Underwriter of the Year of 2017" 🏆 "Excellent Trustee of the Year of 2017" and "Excellent Green Corporate Bond Participant of the Year of 2017" The Shenzhen Stock Exchange: 🏆 The Company was awarded "Excellent Regional Debt Underwriter of the Year of 2017"; 🏆 Huatai United Securities was awarded "Excellent Trustee of the Year of 2017" 🏆 China Central Depository & Clearing Co., Ltd.: Huatai United Securities won "Innovative Business Award"</p>	<p>The Selection of 11th Xincifu Top Investment Banks: 🏆 Huatai United Securities won 20 awards, including "Best Domestic Investment Bank", "Best Investment Bank in Equity Underwriting", "Best Investment Bank in Debt Underwriting", "Best Investment Bank in Merger and Acquisition", "Best Investment Bank in IPO", "Best Investment Banks in Refinancing", and "Best Investment Bank in Serving Overseas Markets" The Selection of "2018 Excellent Investment Bank Junding Prize in China" hosted by Securities Times: 🏆 Huatai United Securities won "Junding Award for All-around Investment Banks of China", "Junding Award for TOP10 Financial Advisors of China", and "Junding Award for TOP10 Refinancing Investment Banks of China"</p>
<p>Investment management business</p>	<p>The Shanghai Stock Exchange: 🏆 Huatai Asset Management was awarded "Excellent Manager of Asset-backed Special Schemes in the Bond Market of the Year of 2017" The Shenzhen Stock Exchange: 🏆 Huatai Asset Management was awarded "Excellent Manager of Asset-backed Special Schemes of the Year of 2017" The Selection of "2018 Junding Award for Wealth Management Institutions of China" hosted by Securities Times: 🏆 Huatai Asset Management was awarded "Junding Award for Wealth Management Institutions of China" and "Junding Award for Asset Management Securities Companies of China" 🏆 Huatai Futures was awarded "Junding Award for Futures Companies of China" and "Junding Award for Financial Institutions as A Classic Example of Targeted Poverty Alleviation"</p>	<p>China Securities Journal: 🏆 China Southern Asset Management was awarded "The Most Contributing Company in China's Fund Industry within Two Decades" and "The Most Trusted Golden Bull Fund Company of the Year of 2017" 🏆 Huatai-PineBridge Fund Management was awarded "Golden Bull Fund Company in Quantitative Investment" Shanghai Securities News: 🏆 China Southern Asset Management was awarded "Golden Fund—Top Fund Company" on the 20th Anniversary of Mutual Fund CHINAFUND: 🏆 Huatai-PineBridge Fund Management was awarded "Best Management Party in Quantitative and Index Fund of the Fund Industry within Two Decades"</p>
<p>International business</p>	<p>🏆 Huatai Financial Holdings (Hong Kong)'s paid-in capital amounted to HKD8.8 billion, and its capital scale ranked top in Hong Kong market The Selection of "2017 Top Financing Listed Corporations of China" hosted by China Financial Market: 🏆 Huatai Financial Holdings (Hong Kong) was awarded "Star Investment Banking Award in the Capital Market of the Year"</p>	<p>Dealogic: 🏆 Huatai Financial Holdings (Hong Kong) ranked No.3 in terms of both the number of IPO sponsorships with fund-raising scale of more than USD50 million and the total fund-raising volume in Hong Kong in the first half of 2018 Cerulli Associates: 🏆 As of the end of the first quarter of 2018, AssetMark ranked No.3 in terms of the TAMP market share in the United States with a market share of 9.7%</p>

III. ANALYSIS OF CORE COMPETITIVE STRENGTHS DURING THE REPORTING PERIOD

Adhere to the concept of centering on customers and form a full-service linking business advantage

The Company adheres to the operating concept of centering on customers, builds a classified and stratified customer service system, timely responds to customer needs, and relies on the platformization and systemization of business resources and professional services to meet customer needs. During the Reporting Period, the Company continues to optimize the customer-driven organizational mechanism, and actively adjusts customer development and service models based on the changes of customer structure and needs. Meanwhile, the Company has indicated outstanding performance in respect of a full-service resource allocation and highly-efficient resource integration benefitted from our highly consistent strategy and effectively operating coordination mechanism.

An industry-leading customer base and a highlighted advantage in a systematic transformation of wealth management

Benefiting from the advantages of our diversified channels and professional services, the number of customers and the size of managed assets have witnessed sustained growth and occupied a leading position in the industry. Our substantial customer base and the asset size have been a strong guarantee and provided significant support to the development of our business. Drawing on advanced wealth management service system and experiences of AssetMark, the Company orderly advanced the implementation of wealth management transformation from team, product, service and platform, and other aspects. The advantages of a systematic transformation are increasingly prominent. The Company actively proceeded investment advisors team building and the development of wealth management services. Pursuant to the statistics of the Securities Association of China, by the end of the Reporting Period, investment advisors in the parent company accounted for 27.56% of its total staff, ranking first in the industry.

Advanced and innovative Internet layout with an industry-leading retail business

The Company owns a strategic Internet layout and implementing strategy that lead the industry and provide a first-mover advantage for the Company. The mobile terminal application ZhangLe Fortune Path has been continuously improved and upgraded since its introduction in 2014. With multiple industry-leading intelligent services and products, we have formed a mobile financial service system featured by intelligence, data, precision and specialization. According to the statistics of Analysys, the number of monthly active users ranked top of the broker APP list for three consecutive years and the brand effect has gradually emerged. The system has become the core carrier for acquiring retail customers and collecting customer assets. In the meantime, online and offline resources have been blended to promote customer development and the efficiency of all services. During the Reporting Period, according to the Wind information and the business statistics of the securities companies from Securities Association of China, our retail business took the lead in the industry and secured first position in terms of the trading volume of stocks and funds transactions in the industry for four years in a row. With focus on innovations in trading technology, ZhangLe U Membership and intelligent real-time account, "ZhangLe Fortune Path" (漲樂財富通) continuously strengthened the advantages of the mobile Internet platform to provide customers with classified and stratified financial services in a precise and professional manner.

Systematic competitive advantages enhanced constantly along with our increasing influence on the institutional services market

Centering on the needs of corporate and institutional customers with the strategy led by investment banking with institutional sales as the link and integration of business resources such as investment and trading, research and PB, the Company has constructed a full-service chain for institutional services to constantly improve the base of high-quality customers and the depth of market influence. During the Reporting Period, our investment banking department completed several benchmarking projects, and both the number of M&A transactions and the IPO approval rate led the industry, which further expanded the market influence of our institutional business and provided high-quality customers and assets for other business lines of the Company. While continuously enriching trading strategies, the investment and trading business actively developed various types of financial products relying on the platform and systematic investment and research capability to meet the needs of customers; the research business established an integrated service system for both domestic and overseas customers, constantly enhancing its domestic and overseas influence; and the asset custody business continued to enhance the service management platform and customer service system by focusing on key business areas, which steadily improved our business scale and market position.

Business development advanced by information technology and a differentiated competitive advantage thus established

The Company developed its independent research and development capability in major businesses and key system fields centering on customer needs and business needs, constantly improved its capabilities in R&D as well as operation and maintenance, and aggressively promoted the transformation of a technology-supported service model to a technology-driven business model. The IT investment, scale of professionals and technical innovation strength ranked top in the industry. The Company researched and developed MATIC, an ecosystem-based trading service platform, INSIGHT, a system that collects and delivers the latest market information on products, and other business systems and service platforms. During the Reporting Period, the Company continuously improved its analytical and application ability of big data to explore the potential value of data. With the core idea of realizing "data-driven growth", the Company has built an integrated big data and artificial intelligence platform from the perspective of data productization, and continued to empower business areas such as investment research and wealth management in the form of service. Meanwhile, the Company took the initiative to make strategic moves in frontline financial technologies and fostered new business and service models. In addition, the Company made most use of its advanced information technologies to significantly improve the efficiency of compliance and risk management.

An effectively functioning market-oriented mechanism driven by a top-ranking talent team

The market-oriented reform on human resource management was the source of vitality for promoting continuous improvement of the Company. In recent years, the Company has established and improved a mechanism for the selection and appointment of talents based on ability and performance as well as a market-oriented employment mechanism and compensation incentive mechanism. The introduction of top-level talents, innovative talents, cross-industry talents and cross-border talents has improved the Company's talent competitiveness and overall strength. The operation and management team of the Company shows outstanding leadership with profound insights in industry development and rich work experience. The management team and staff team of the Company have felt the urgency for reform and their sense of responsibility to make a difference, which is also the internal power of the Company's continuous transformation and breakthrough.

IV. BUSINESS COVERAGE

Huatai Securities has broad business coverage with 241 business branches and 29 subsidiaries in the PRC. It engages in the operation of international business through Huatai International and its Hong Kong operations, and AssetMark in the United States.



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



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



Huatai International Financial Holdings Company Limited

As the Company's holding platform for international business, it has been fully integrated into the full business chain system of the Group and effectively promoted cross-border linkage to provide cross-border integrated financial services for domestic and foreign customers.



Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS ON OPERATION

Unit: Thousand Yuan Currency: RMB

By segment	Segment revenue and other income	Segment expenses	Segment results	Segment profit margin (%)	Year-on-year change of segment revenue and other income (%)	Year-on-year change of segment expenses (%)	Year-on-year change of segment profit margin (%)
Wealth management business	6,902,869	(4,121,185)	2,781,684	40.30	5.92	15.14	Decrease of 4.78 percentage points
Institutional services business	1,154,083	(1,789,183)	(635,100)	(55.03)	(48.19)	59.43	Decrease of 104.64 percentage points
Investment management business	1,501,065	(503,154)	1,332,696	88.78	11.99	(20.69)	Increase of 36.07 percentage points
International business	1,501,002	(1,301,869)	199,133	13.27	(12.21)	(23.82)	Increase of 13.22 percentage points
Others (including offset)	920,960	(1,211,462)	342,067	37.14	47.26	(25.11)	Increase of 159.26 percentage points
Segment total	11,979,979	(8,926,853)	4,020,480	33.56	(3.54)	3.05	Increase of 1.46 percentage points

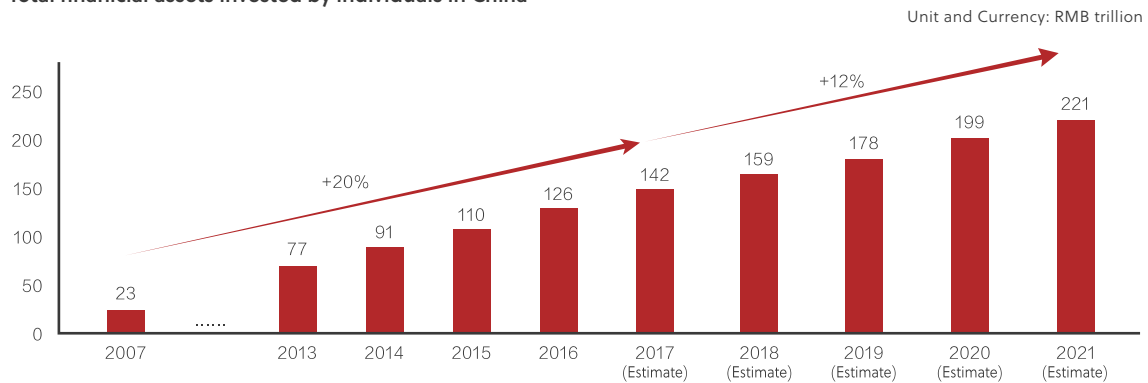
(I) Wealth management business

1. Market environment and industrial trend for wealth management business

- (1) The continuous expansion in the market size of the wealth management business market will bring more opportunities to securities companies in wealth management business

With the transformation of China's economy towards high-quality development, the continuous increase of national wealth and the growing demand of residents for financial management, the room for development of wealth management business will expand in depth. In this context, the accumulation of corporate assets and personal wealth will bring new opportunities for the development of capital market and securities companies. Meanwhile, capital market will become a significant market for high net worth individuals to obtain, remain and increase their wealth. Securities companies have obvious advantages in providing capital market related services to clients, and have great potential in developing wealth management business and creating differentiated features.

Total financial assets invested by individuals in China



Source: BCG global wealth database; BCG analysis

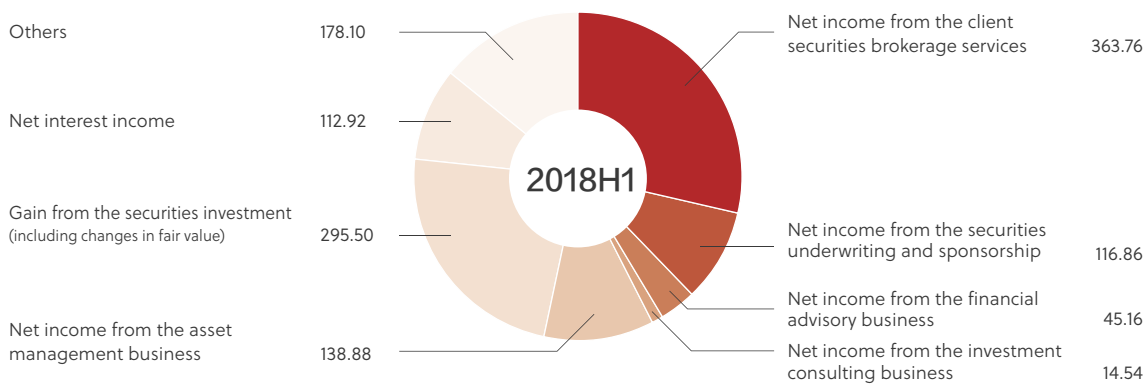
Note: Financial assets invested by individuals include offshore assets, not including non-financial assets such as real estate and luxury goods.

(2) Changes in market trends and clients' demand presented favorable opportunities for the wealth management transition of securities companies

With the increasing intensification of market competition, the continuous impact from Internet Financial and the continuous differentiation of the stock market, the average brokerage rate for equity trading in the securities industry continued to decline. The traditional profitability and operation models of securities companies were faced with subversive challenges. Therefore, a transition from traditional channel services to comprehensive wealth management business and comprehensive financial services demonstrated a major trend for the strategic transformation of securities companies. Under the general trend that the wealth management needs from clients were more diverse and complex, clients were increasingly in demand for access to professional services. Only wealth management institutions that are client-centered and that fully understand clients' demand and rationally allocate assets based on it can take the lead.

Operating data of securities companies

Unit and Currency: RMB 100 million



Source: Securities Association of China

(3) The extensive application of Fintech will continuously boost the efficiency of wealth management and improve user experience

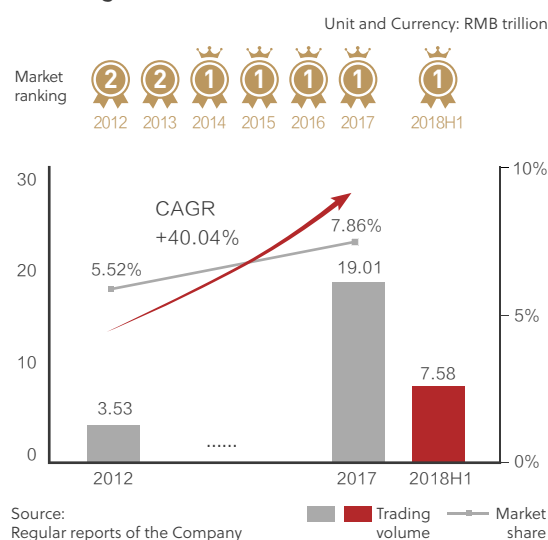
With the deepening of the application of Fintech in the wealth management business, Fintech will bring new opportunities to the wealth management market with more digital and intelligent wealth management business. Through increasing the application of Fintech, securities companies actively explore new business models which are beneficial to the wealth management business. Therefore, securities companies can reduce cost and improve efficiency, expand client groups, enhance experience and control risks, in order to satisfy the diversified financial management needs of clients in a more efficient, more convenient and safer manner. It is becoming a new business development model and significant strategic choice for securities companies to provide clients with comprehensive wealth management services, exploit the large potential value of data and enhance client experience by taking full advantage of Fintech.

2. Operational measures and achievements of wealth management business

(1) Securities, futures and options brokerage business

During the Reporting Period, the Company's securities brokerage business actively adapted to the regulatory changes, fully implemented the eligibility management of clients and continuously strengthened the awareness of compliance and risk management. It focused on expanding the scale of clients and their assets, further improved client structure, continuously deepened the transformation of wealth management, and comprehensively promoted integrated financial services. The Company continuously optimized the differentiated service system for client and adhered to the client-centered strategy, insisted on Internet development strategy, actively integrated internal and external resources, and promoted the integration of online and offline business. The Company applied Fintech to upgrade the smart marketing service platform, thus enhancing service experience and client loyalty. It accelerated the construction of the investment consulting team and the exploration of business model, actively developed the integrated service platform for investment advisor in order to continuously improve professional service capability and create differentiated service models, thus meeting clients' demand for diverse financial services. According to the business statistics of the securities companies from Securities Association of China, the trading volume of stocks and funds of the Company during the Reporting Period was RMB7.58 trillion in total, ranking the first in the industry. According to the Company's internal statistics, as of the end of the Reporting Period, clients' assets of the Company reached RMB2.91 trillion.

Company's market share and ranking in terms of trading volume of stocks and funds



Data relevant to agency sales amount

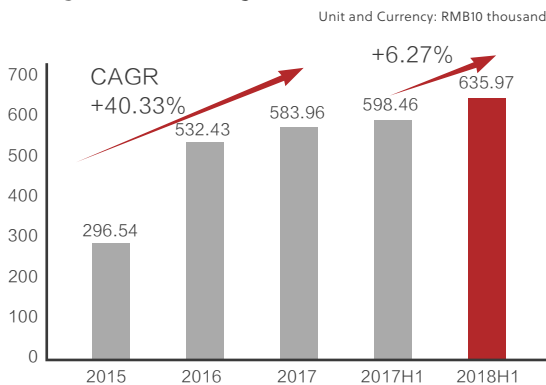
Currency: RMB

January-June 2018		January-June 2017	
Categories of Securities	Agency Sales Amount (in RMB100 million)	Categories of Securities	Agency Sales Amount (in RMB100 million)
Stocks	72,158.68	Stocks	75,777.20
Funds	3,648.81	Funds	2,242.54
Debentures	704.93	Debentures	549.52
Total	76,512.42	Total	78,569.26

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

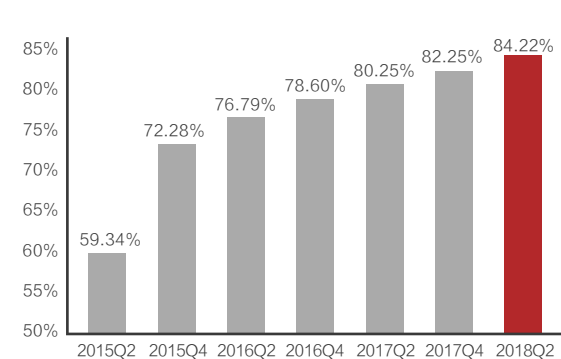
During the Reporting Period, the Company continually optimized and improved the functions and contents of mobile platform “ZhangLe Fortune Path”, fully utilized the big data analysis, and actively promoted service upgrades, so as to meet clients’ demand for diverse services. During the Reporting Period, “ZhangLe Fortune Path” was downloaded for 4,530,500 times. Since the “ZhangLe Fortune Path” was available to be downloaded online, the accumulative downloads reached 41,955,000. According to the statistics of Analysys, the Company’s average NMAU during the Reporting Period was 6,359,700, and the NMAU in June 2018 was 6,555,000, ranking first among APPs of securities companies. During the Reporting Period, the number of new accounts opened on the mobile terminal of “ZhangLe Fortune Path” was 339,000, accounting for 97.13% of total new accounts of the Company. 85.50% of the Company’s trading customers traded through “ZhangLe Fortune Path”. As the proportion of the number of users trading through mobile terminal increased steadily, the mobile terminal has become the mainstream trading channel for clients. During the Reporting Period, “ZhangLe Fortune Path” progressively launched new features such as New Share Artifact, ZhangLe U Membership, Position Perspective, Shape Radar, Super Account 3.0 and Top Buyer, and the user experience was continuously optimized.

Average NMAU of “ZhangLe Fortune Path”



Source: Statistics from Analysys

Proportion of the number of users trading through “ZhangLe Fortune Path”



Source: Internal statistics from the Company

During the Reporting Period, the Company continued to strengthen services for clients of Southbound Trading business and investor education. The Southbound Trading business of the Company was conducted in a stable and smooth manner. For the Southbound Trading business under Shanghai-Hong Kong Stock Connect, there were 10,100 authorised users in total, with a total transaction amount of RMB41.271 billion. For the Southbound Trading business under Shenzhen-Hong Kong Stock Connect, there were 11,700 authorised users in total, with a total transaction amount of RMB25.935 billion.

During the Reporting Period, the stock option brokerage business of the Company continued to improve the level of trading technology and strategic services, and the business maintained a positive development trend with a total volume of 9,792,900.

As of the end of the Reporting Period, as to the futures brokerage business, the Company has 5 branches and 40 futures branches in 4 municipalities directly under the Central Government and 15 provinces in China, as the agent of 56 types of futures. During the Reporting period, Huatai Futures (excluding clearing members) recorded a trading volume of 87,082,000 lots and trading amount of RMB5,784.272 billion. During the Reporting Period, the futures IB business of the Company was conducted in a stable manner. As of the end of the Reporting Period, 202 securities branches were allowed to be engaged in futures IB business of the Company. The total number of futures IB business customers reached 33,063.

(2) Financial product sales business

During the Reporting Period, the Company continued to enhance requirements for eligibility management of clients, comprehensively built a systematic model for whole business process management of financial products, and continuously improved the level of business intelligence. The Company made efforts to build differentiated, specialized and high-quality financial product lines, leading to the steady year-on-year increase of the overall sales volume and holding volume of financial products. The Company continued to improve product sales service system to make full use of the advantage of outlet layout and the Internet platform. Through increasing efforts in market trend research and active guidance of clients’ demand, the Company has seen increasingly improved business coverage and basic product penetration. During the Reporting Period, the total amount of the sales and the total income from agency sales of financial products were set out as below:

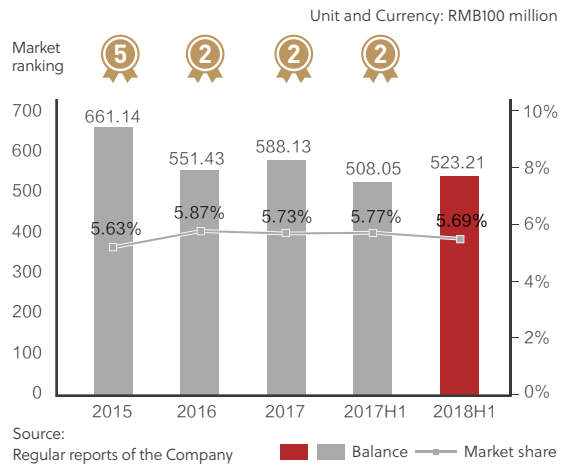
Unit and Currency: Yuan Currency: RMB

Agency Sales of Financial Products	Amount for the Current Period		Amount for the Corresponding Period of last year	
	Total Sales Volume	Total Sales Income	Total Sales Volume	Total Sales Income
Funds	31,415,256,542.93	79,582,427.42	5,712,523,497.30	66,955,255.97
Trusts	5,538,412,000.00	3,810,077.12	1,589,850,700.00	2,122,641.51
Others	1,482,150,278,742.60	851,029.31	1,555,487,982,933.90	2,934,277.52
Total	1,519,103,947,285.53	84,243,533.85	1,562,790,357,131.20	72,012,175.00

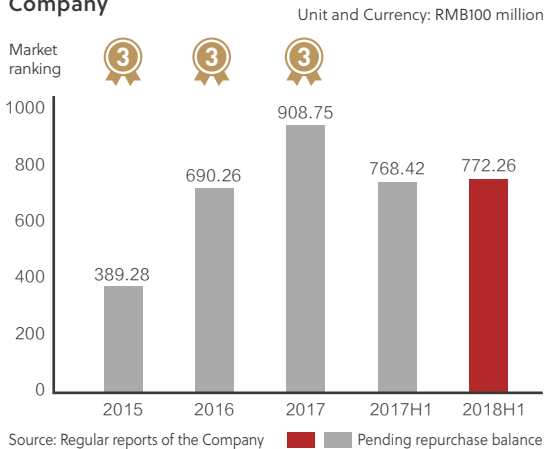
(3) Capital-based intermediary business

During the Reporting Period, the Company focused on the client-centered business philosophy, improved its business model, consolidated its business foundation, improved the level of refined management on business, and continued to enhance its client acquisition capabilities. The Company focused on optimizing the system of business embedded management and comprehensive operation and maintenance, further improved the multi-level risk management system, strove to enhance the risk management level, and promoted the sustainable and steady development of various capital-based intermediary businesses. During the Reporting Period, the market share of margin financing and securities lending business remained stable, and the risk control of stock pledged repurchase business was effective. According to the data from the regulatory reports of the Company, as of the end of the Reporting Period, balance of margin financing and securities lending business of the parent company was RMB52.321 billion, and the integral maintenance guarantee ratio was 282.71%. The pending repurchase balance of stock pledged repurchase business of the Company was RMB77.226 billion in total, with an average fulfillment guarantee ratio of 228.45%.

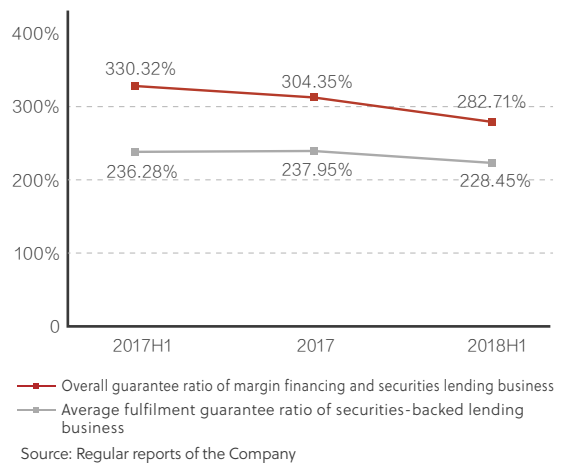
Scale of margin financing and securities lending business of the Company



Scale of securities-backed lending business of the Company



Overall guarantee ratio and average fulfillment guarantee ratio



3. Prospect of wealth management business for the second half of 2018

Brokerage and wealth management business takes up heavy responsibilities in gathering customer resources and client assets on a large scale. In the second half of 2018, the Company will continue to leverage its overall forces to build a new retail business system integrating online and offline resources based on trading services and with “ZhangLe Fortune Path” as the core platform. Supported by the whole business chain and relying on the professional investment advisor service, the Company will make strong efforts to build a professional wealth management business system through diversified financial products.

For brokerage and wealth management business, we will continue to adapt to market development, adhere to the bottom line of compliance, actively build professional service models, continuously enrich the asset allocation strategy, so as to create a diversified system of financial products and strategic products and promote the comprehensive transformation and upgrading of business. We will enhance big data application to explore digital value in customer deal and behavior, fully push ahead service and product innovation, continuously upgrade and iteratively optimize the Internet business operation platform, and enhance the core advantage of integrated account system. We will strengthen the construction of investment consulting team and talents system, build an integrated service platform for investment advisors in order to continuously improve professional service capability, market expansion capability and value creation efficiency of investment advisors. For options and futures brokerage business, customers’ demand for risk management will be explored in depth, driving the implementation and extension of innovation business.

For financial product sales business, the creation, design, introduction and management of financial products will be coordinated to create a distinctive financial product system. We will accelerate the establishment of an integrated financial product sales system based on large-scale assets allocation in order to continuously expand the scale of financial products business and the client coverage.

In respect of capital-based intermediary business, we will focus on clients’ demand to deepen the content of products and services and improve operational support. We will strengthen the construction of a comprehensive risk management system, and vigorously enhance our capabilities in evaluation of customers’ credit risk and pricing power to ensure safe and healthy business development and constantly consolidate our superiority in the market.



(II) Institutional services business

1. Market environment and industry trend of institutional services business

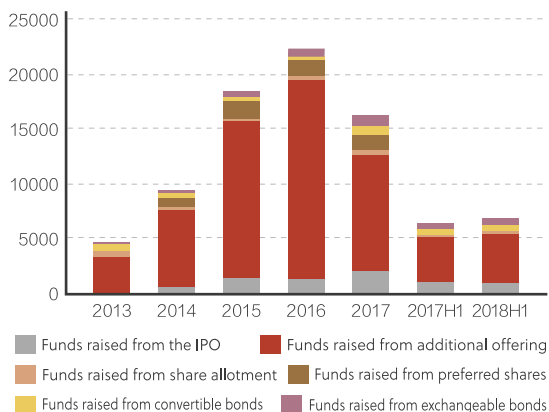
(1) Economic transformation and upgrading and the capital market reform and development have provided strategic opportunities for the in-depth development of securities companies' institutional services business

With the economic transformation, the upgrading of industrial structure and the continuous deepening of the reform of the direct financing system in the capital market, the construction of multi-level capital markets will take up a more prominent position, bringing broad space for the in-depth development of the securities industry, in particular the investment banking business.

With the normalization of IPO approval as well as such system arrangement as accelerating the promotion of domestic listings of innovative companies, the demand for investment banking business such as IPO, issue of CDRs, mergers and acquisitions will be improved. The types of institutional services business of securities companies will be more diversified, and the service innovation and product innovation around the real economy will also increase.

Statistics for stock issuance

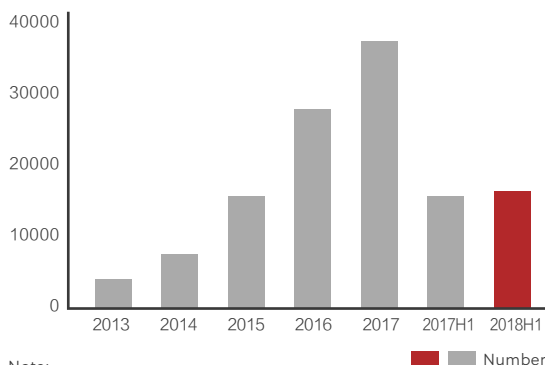
Unit and Currency: RMB100 million



Note:

1. Source: Wind;
2. The statistical coverage includes IPO, additional offering (including issuance of shares for purchasing assets), share allotment, preferred shares, convertible bonds and exchangeable bonds;
3. The statistical caliber of Wind is issuance date

Statistics for bond issuance



Note:

1. Source: Wind;
2. The statistical coverage includes government bonds, local government bonds, NCD, financial bonds, enterprise bonds, corporate bonds, medium term notes, short-term financing bonds, dedicated instruments, bonds issued by international institutions, bonds issued by government-supported agencies, asset-backed securities, convertible bonds, exchangeable bonds;
3. The statistical caliber of Wind is issuance date.

(2) The development trend of the institutionalization of capital market participants and the oligarchy of institutional business has set higher standards for securities companies' institutional services business

In recent years, professional institutional investors such as domestic public funds, private equity funds and insurance companies have made considerable progress. The market value of shares held by professional institutional investors has also continuously increased and institutional investors are turning into the main force in the market. At the same time, with the continuous entry of domestic social security funds, pension funds and corporate annuities, as well as the accelerating entry of QDII, QFII, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and overseas funds upon the

inclusion of A-shares into MSCI, the proportion of long-term institutional funds in the market is constantly increasing. The rapid development of institutional investors will also have a more profound impact on market changes and operation rules. In the past six months, the policy orientation in capital market, namely expanding openness and support for excellence and limit to inferiority, has led to a significant increase in market concentration related to institutional business, and the oligarchy tendency of business resources has become more prominent. Securities companies should accelerate the construction of advantages in systematic institutional service and differentiated institutional service capabilities.

(3) Preventing financial risks is not only an important challenge for the development of institutional services business of securities companies, but also a historical opportunity for deepening the development of institutional services business

With the deepening of economic transformation and financial deleveraging, certain financial risks are gradually exposed and released, leading to increasingly complicated manifestation and transmission of financial risks. Securities companies must constantly improve their risk management capacity to shoulder their important missions of maintaining the stability, health and sustainable development of market, industry and themselves more effectively.

Resolving financial risks requires a multi-level and orderly development of the financial derivatives market. Based on the continuous improvement in professional capabilities such as valuation, pricing and trading, securities companies are able to grasp the opportunity of FICC and financial derivatives arising from the release of financial risks and changes in asset valuation, and seize new opportunities in the high-end development of institutional business coupled with their unique risk management service value and their differentiated financial product innovation and design capability.

2. Operational measures and achievements of institutional services business

(1) Investment banking business

During the Reporting Period, the Company continued to implement the whole business chain strategy by means of improving the integrated operation system of large investment banking centering on customers, to effectively strengthen cross-market execution and service capabilities based on the industry and through deepening regional development and focusing on quality clients, thereby promoting the market position and branding strength in the investment banking business.

Consolidated Data

Currency: RMB

Categories of Issuance	Times of lead underwriting (time)		Lead underwriting amount (in RMB10 thousand)		Lead underwriting income (in RMB10 thousand)	
	Current Period	Accumulated over the years	Current Period	Accumulated over the years	Current Period	Accumulated over the years
Issue of new shares	6	165	861,746.08	10,821,184.39	36,737.51	472,559.82
Additional issue of shares	5	155	906,462.87	24,083,694.29	4,054.43	196,645.60
Allotment of shares	—	30	—	1,002,136.78	—	19,236.96
Issue of bonds	68	614	5,595,793.28	60,843,220.31	14,327.49	254,199.05
Total	79	964	7,364,002.24	96,750,235.78	55,119.43	942,641.43

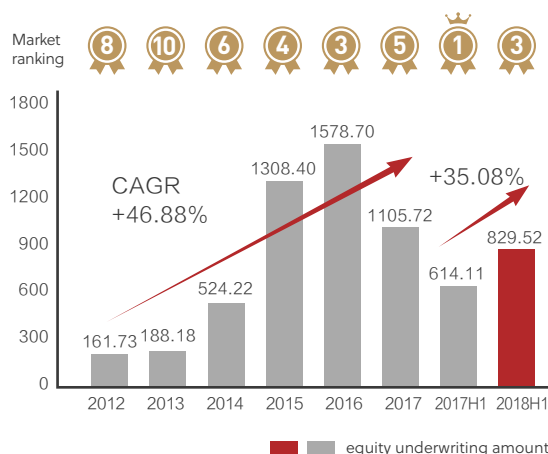
Note: The above data are from the regulatory reports of the Company; preferred shares are included in the additional newly issued shares; bonds issuance is all-inclusive, which includes in treasury bonds, enterprise bonds, corporate bonds (including exchangeable bonds), convertible bonds, short-term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

① Equity underwriting business

During the Reporting Period, the equity underwriting business adhered to the “industry-led and customer-centric” strategy to deeply focus on key areas and industries, and to further improve the level of systemic marketing and professional services. The Company has completed multiple IPO projects with market influence, which continuously improved the branding effect. According to the statistics from Wind information, the Company’s equity lead-underwriting amount (including the initial offering, additional offering, allotment of shares, preferred shares, convertible bonds, exchangeable bonds) was RMB82.952 billion, ranking third in the industry.

Ranking of equity underwriting amount of the Company

Unit and Currency: RMB100 million



Explanations:

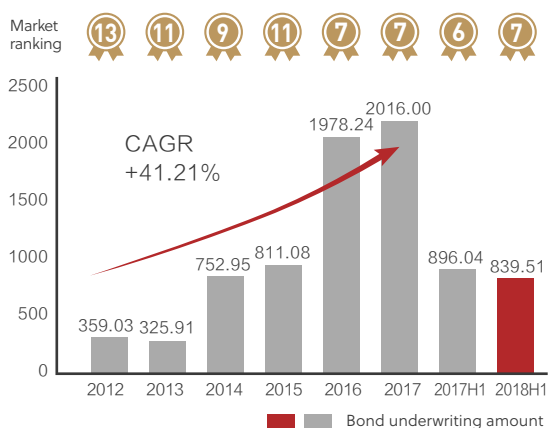
1. Source: Wind;
2. The statistical coverage includes additional offering (inclusive of ancillary financing and placement subscribed with assets), rights issue, preferred shares, convertible bonds and exchangeable bonds;
3. The statistical caliber of Wind is issuance date, while the statistical caliber of the Company’s regulatory reporting is payment date. Therefore, there exist differences between the data from the Wind and the statistical data of the Company.

② Bonds underwriting business

During the Reporting Period, the bonds underwriting business focused on advantageous products with the full use of its all-license edge, and continued to promote the innovation-driven strategy. Besides, it created a stable client development system, improved customer hierarchical management, and actively cultivated core customer groups, seeking an improvement on top of its solid position in the industry. According to the statistics from Wind information, the lead-underwriting amount of full variety bonds was RMB83.951 billion, ranking seventh in the industry.

Ranking of bond underwriting amount of the Company

Unit and Currency: RMB100 million



Explanations:











1. Source: Wind;
2. The statistical coverage includes local government bonds, policy-bank bonds, non-policy financial bonds (including securities corporate bonds), enterprise bonds, corporate bonds, medium-term notes, short-term financing bonds (including ultra short-term financing bonds), dedicated instruments, bonds issued by international institutions, bonds issued by government-supported agencies, asset-backed securities, convertible bonds, exchangeable bonds and other bonds;
3. The statistical caliber of Wind is issuance date, while the statistical caliber of the Company’s regulatory reporting is payment date. Therefore, there exist differences between the data from the Wind and the statistical data of the Company. For the calculation method of issuing quantity, the statistical caliber of Wind is different from that of regulatory reporting.

③ Merger and acquisition and reorganization business

During the Reporting Period, the Company made forward-looking layout in merger and acquisition and reorganization business. We, relying on its advantages in business brand and comprehensive service capabilities, continuously accumulated client resources to develop boutique projects, and continued to promote the development of cross-border mergers and acquisitions. We maintained the leading position in the industry and our business reputation was further improved. During the Reporting Period, we had 8 merger and acquisition projects and reorganization transactions approved by the CSRC, ranking first in the industry; the transaction amount was RMB70.454 billion, ranking first in the industry.

Amount, number and ranking of merger and acquisition and reorganization

Currency: RMB

	2015	2016	2017	2017H1	2018H1
Number	29	21	11	6	8
Ranking by number					
Transaction amount (in RMB100 million)	1,007.31	1,889.53	413.04	354.33	704.54
Ranking by transaction amount					

Source: The number, scale and ranking of merger and acquisition and reorganization transactions were reviewed and approved by the CSRC based on the information available to the public.

④ OTC business

During the Reporting Period, the NEEQ business of the Company actively adapted to market conditions and strategic deployment adjustments, and proactively improved the business system, service model and risk management system to provide customers with high quality comprehensive financial services in an all-round manner. As of the end of the Reporting Period, the Company provided supervision services for 45 listed companies, 7 targeted placements with a total amount raised of RMB578 million, and 2 acquisitions of financial advisor business. Jiangsu Equity Exchange, a holding subsidiary of the Company, continued to improve its basic functions, actively integrated business resources, steadily promoted the innovation of new financing products, and continued to construct featured segment and increase risk prevention, providing a full range of comprehensive financial services for listed enterprises. As of the end of the Reporting Period, the Company has developed 227 membership units with a total of 81,003 investors of all types; the Company has had a total of 2,801 enterprises listed, raising RMB661 million for the listed companies through equity financing and raised RMB98 million through equity pledged financing.

(2) Research and institutional sales business

During the Reporting Period, the services quality of the Company's research business has improved, and the market influence and pricing power have increased, with more diversified service models and higher service efficiency. The Company continued to intensify efforts on client expansion and research services, further propelled the integration of the research businesses in Mainland China and Hong Kong, thus providing more comprehensive research services for customers to conduct cross-region and cross-market asset allocation. The institutional sales business continued to enhance the platform management and lean management of full process, and actively expand business scope and client coverage relying on the whole business chain, which purports to effectively explore comprehensive demands of customer so as to constantly improve comprehensive financial services in an all-round way. During the Reporting Period, the Company increased the frequency and efficiency of client service activities of research business. The Company issued 2,012 research reports, and organized 8,483 client roadshows and 385 reverse roadshows, 137 teleconferences, joint research on 379 companies and 25 special conferences on investment strategy. During the Reporting Period, the volume of sub-position transactions of the Company for research business funds was RMB173.266 billion.

(3) Investment and trading business

① Equity securities investment and trading business

During the Reporting Period, the Company improved the market monitoring system, deepened the research and tracking of the industry chain, and built a quantitative position management plan to promote the transformation

into transaction-centered equity investment business model. At the same time, the Company continued to vigorously promote big data transaction business and expanded its personnel scale and technology reserves. With advanced algorithms and technologies such as artificial intelligence and machine learning based on its self-developed big data artificial intelligence platform, the Company was able to fully capture investment and trading opportunities in the market. The Company has conducted event-driven arbitrage, Alpha hedge, statistical arbitrage, stock strategy trading and other business and formed a stable strategy and profit model.

② Fixed-income investment and trading business

During the Reporting Period, as for proprietary investment business, the Company focused on credit value identification and risk hedging and comprehensively applied a variety of trading strategies, thus constantly optimizing the income structure. Meanwhile, we have taken active efforts to expand and maintain various institutional clients and deepen the exploration of client needs, and accelerate the research and development of multi-strategy product and client service system construction in order to continuously enrich our profit models. As for bulk commodity business, the Company continuously enhanced the creation and design of products and product investment capabilities by leveraging its professional advantages, further enriching the types of financial products. As for foreign exchange business, the Company actively advanced the preparation for foreign exchange settlement and sales.

③ OTC financial products and trading business

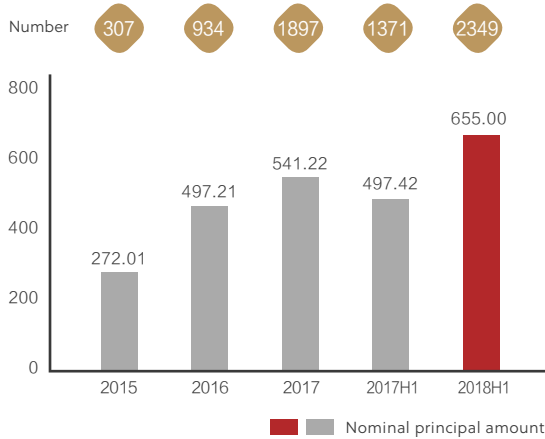
During the Reporting Period, the Company actively implemented the eligibility management of investors, and constantly improved the functions of OTC market transaction system and the business system and process, as well as the operation efficiency and customer experience, promoting orderly conduct of the issue and sales transactions of the OTC products. During the Reporting Period, the Company issued 1,137 private placement products through the quotation system and OTC market, with the total amount of RMB18.835 billion. As of the end of the Reporting Period, the Company had 189 income swap transaction businesses with a notional principal of RMB2.5 billion. As of the end of the Reporting Period, the Company had 325 OTC option trading businesses with a notional principal of RMB9.072 billion. Moreover, the Company steadily carried out NEEQ market making business. As of the end of the Reporting Period, the Company held shares of a total of 76 companies listed on the NEEQ, with a total market capitalization of RMB647.1512 million.

(4) Asset custody business

During the Reporting Period, the Company continuously optimized its business system and process, promoted the construction of integrated product back-end operation, service and management platform, and continuously improved capabilities in business support and client service. Meanwhile, the Company further tapped client needs and cooperation potential, strengthened the development of key client group, promoted the construction of customer service system, and kept widening business development space and boundary, so as to meet various demands of customers based on standard basic services and personalized value-added services. As of the end of the Reporting Period, the Company had 2,349 fund custody products and the business scale of fund custody reached RMB65.5 billion, and there were 3,227 private fund service business products (including 911 products of asset management subsidiary), of which the service business scale reached RMB989.701 billion (including the business scale of asset management subsidiary of RMB920.837 billion).

Fund custody products and the business scale of fund custody

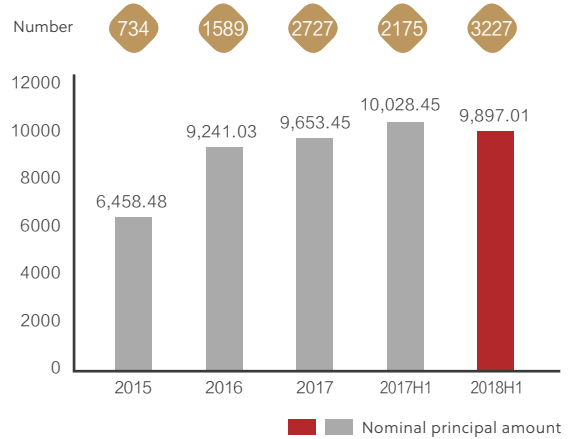
Unit and Currency: RMB100 million



Source: Regular reports of the Company

Private fund service business products and service business scale

Unit and Currency: RMB100 million



Source: Regular reports of the Company

3. Prospect of institutional services business for the second half of 2018

The institutional services business is a high-level business area for creating differentiated core strengths and first-class investment banking, as well as a key area for enhancing the Company's industry leading position. In the second half of 2018, for the institutional services business, the Company will integrate business resources of investment trading, research, PB fields to comprehensively establish an integrated group-level institutional customer service system, led by the investment banking business and linked by institutional sales. It will build core competence of asset creation, asset pricing and product innovation and design, so as to form advantage in institutional service business with first-class market competitiveness and influence.

The investment banking business will implement the client-centered service concept based on the integrated platform and the whole business chain system of large investment banking, and strive to improve systematic marketing and professional services towards the direction of industry focus, regional layout and customer cultivation, thus meeting clients' demand for integrated financial services. The equity underwriting business will increase the reserve of projects in key areas and key industries, and make strong effort in target screening and systematic development layout around high-quality clients to constantly increase customer loyalty and industry reputation. The bonds underwriting business will actively establish stable market development system, constantly increase sales and trading capacity and fully exert versatile business advantages linking stock and bond. For the merger and acquisition and reorganization business, the Company will continuously leverage brand advantage, and constantly enhance the capability of deal-making and cross-market service. The Company will optimize the customer structure of the NEEQ business, and broaden the coverage of high-quality clients. Jiangsu Equity Exchange will continue to promote building featured segment, strengthen innovative business research, improve the marketization of internal management, and constantly improve the service function.

The research and institutional sales business will continue to improve the integrated domestic and overseas business system, aiming to increase the platform management and lean management of full process, and to build synergic patterns and docking mechanism of institutional investor service, fully meeting clients' needs and constantly increasing the professional ability to create value for customers.

The investment trading business will set up customer-oriented business structure and service system, and actively export the investment capabilities of equity, FICC and financial derivatives, so as to establish a more differentiated competitive business system and increase income on investment. The equity securities investment and trading business will continue to accelerate the construction of big data system platform, strengthen strategy development and innovation of trading modes, shifting to the transaction-centric business model. The Company will establish a client service-oriented service system, optimize FICC business layout, improve strategy trading system and enhance the investment capacity and the creation and design of products with trading as the core, leading to an increase in market influence. The OTC financial products and trading business will continuously enhance product design and customer service capabilities, and create an OTC market platform integrating investment, financing and trading.

The asset custody business will continue to innovate and enrich the intension of business service, enhance our marketing effort and the precision of customer service, promote intelligent business operations and management, and build a complete and efficient client service system, thereby further enlarging the scale of asset custody, effectively improving client structure and increasing the market influence and competitiveness.

Major Clients



(III) Investment management business

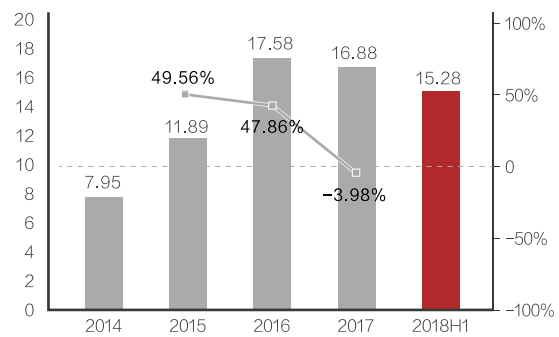
1. Market environment and industry trend of investment management business

(1) New stage of asset management business returning to the origin with normative development

Since the beginning of this year, with the promulgation of new regulations on asset management and follow-up regulatory rules, and under the trend of strengthening unified and coordinated supervision, the asset management business will continue to promote the process of dechannelizing, realizing the net worth of products and eliminating arbitrage, and consequently, the active management ability will become the core competitiveness of asset management institutions in the future. According to the statistics from Asset Management Association of China, as of the end of the Reporting Period, the total amount of asset management business of securities and futures operating companies reached approximately RMB53.07 trillion, with a 0.51% increase compared with the same period in 2017. Specifically, the total amount of asset management business of securities companies was RMB15.28 trillion, with a 15.58% decrease compared with the same period in 2017. The asset management business of large comprehensive securities companies will continue to enhance their competitiveness based on the in-depth understanding of client needs as well as the collaboration of whole business chain and integrated professional advantages of investment and research.

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

Unit: RMB trillion Unit: %



■ Total amount of assets managed by securities firms (trillion)
 — Year-on-year increase in the amount of assets managed by the securities firms

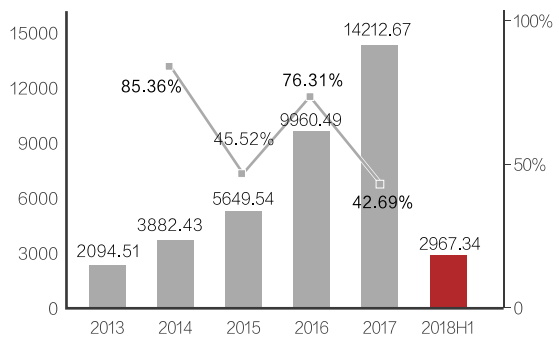
Source: The Asset Management Association of China

(2) The total fundraising scale of private equity investment shrank dramatically with institutional differentiation accelerated

Since this year, with the promulgation of new regulations on asset management and further intensification of private equity supervision, the private equity market is facing more severe challenges. The amount of new fundraising has declined, and the fundraising market has become more and more concentrated towards oligarchy. Under the market environment of preventing risks and strict supervision, the private equity market continues to develop towards a more standardized and more professional direction. According to the statistics from Zero2IPO Research Center private placement department, China's private equity institutions raised 1,021 new funds in the first half of 2018, representing a year-on-year decrease of 8.8%; the fundraising scale totaled RMB 296,734 million, representing a year-on-year decrease of 58.2%. Facing increasingly fierce market competition, the private equity investment business under securities companies, with their full business chain advantages, actively created new business features and differentiated competition advantages, thus effectively improving the efficiency of serving the real economy.

Amount raised by private equity investment funds and year-on-year increase

Unit: RMB100 million Unit: %



■ Amount raised by private equity investment funds
 — Year-on-year increase in the amount raised by private equity investment funds

Source: Statistics from Zero2IPO Research Center private placement department

2. Operational measures and achievements of investment management business

(1) Asset management business of securities companies

The Company set up an asset management subsidiary in 2014, formally lighting the curtain of transformation and reform of the asset management business. Following the principles of marketization and providing professional services, the Company introduced outstanding talents and improved the organizational structure and mechanism, enabling it to capture the opportunity of brisk growth in the scale of asset management business. Recently, stricter regulations, dechannelizing, deleveraging and risk prevention have become the keynote of the industry, in which case the Company shall expedite the adjustment of its business model as that was a key to establish its competitive edges in the future.

During the Reporting Period, Huatai Asset Management strictly implemented the new requirements on asset management, and returned to the origin of asset management. Huatai Asset Management centered on client needs and actively leveraged the integrated advantages as the acquirer and pricing maker of financial assets as well as the developer of financial products, providing clients with comprehensive financial service solutions featured by a full business chain. According to the statistics from Asset Management Association of China (中國證券投資基金業協會) of the second quarter of 2018, the Company's asset management scale averaged RMB922.848 billion on a monthly basis, ranking second in the industry, while its active asset management averaged RMB226.681 billion on a monthly basis, ranking fourth in the industry. According to the statistics from Wind information, the issuance scale of enterprises' ABS (asset securitization) of the Company during the Reporting Period was RMB37.061 billion, ranking first in the industry.

The collective asset management business has developed steadily, and a product line covering multi-field and with multi-level risk returns has been built, continuously strengthening the comprehensive financial service capability. Totally, 83 collective asset management plans were under management and the total management scale was RMB110.530 billion. In respect of the targeted asset management business, we actively promoted business transformation and continuously optimized the business structure, with focus on strengthening institutional client service so as to constantly enhance the depth and breadth of client cooperation. Totally, 762 targeted asset management plans were under management and the total management scale was RMB718.178 billion. The specialized asset management business continued to maintain its development advantages, and we continued to enhance the brand base in terms of consumer finance, leasing, supply chain and financial inter-banking. Totally, 66 specialized asset management plans were under management and the total management scale was RMB80.319 billion. In respect of the public fund management business, we made efforts to explore the layout of the featured business operation system to meet clients' differentiated needs in asset allocation. Totally, 5 public fund products were under management and the total management scale was RMB914 million.

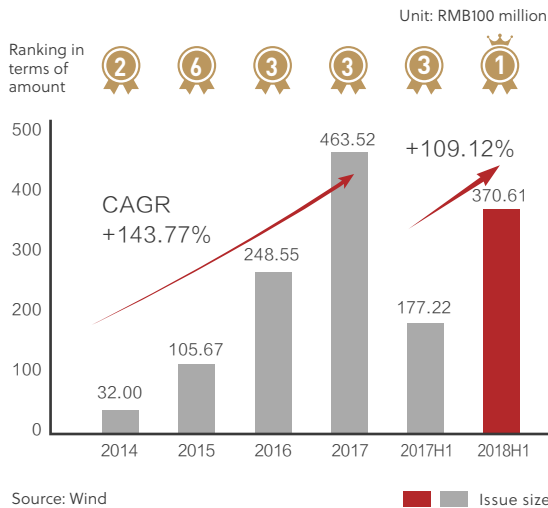
The table below sets forth the scale and income of the Company's asset management business:

Currency: RMB

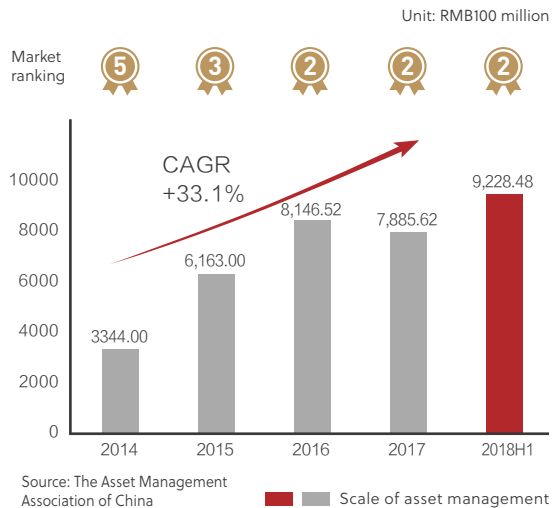
Item	January - June 2018		January - June 2017	
	Entrusted Scale (in RMB100 million)	Net income (in RMB10 thousand)	Entrusted Scale (in RMB100 million)	Net income (in RMB10 thousand)
Collective asset management business	1,105.30	66,842.83	1,155.73	86,848.67
Targeted asset management business	7,181.78	13,453.14	7,925.25	19,969.40
Specialized asset management business	803.19	3,529.81	472.49	2,973.23
Public fund management business	9.14	479.87	—	—

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

Amount and ranking of corporate ABS (asset-backed securities) issued by the Company



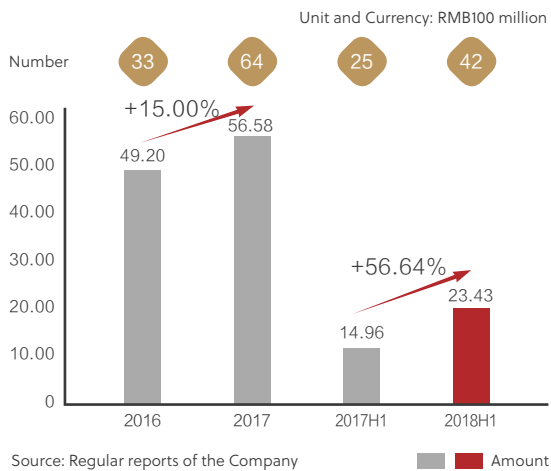
Scale and ranking of asset management business of the Company



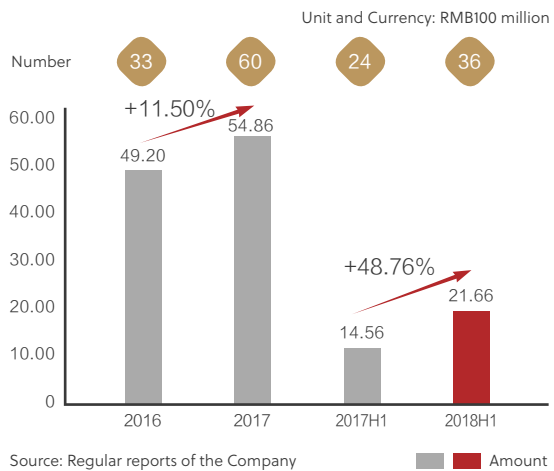
(2) Private equity fund management business

During the Reporting Period, the Company regulated its private equity fund management business in accordance with a series of regulatory policies and regulations, through which it actively adjusted to the regulatory changes. We improved the comprehensive investment service system of “fund raising, investment, management and disposal” (募投管退), and constantly enhanced our strengths for the professional development of business. As of the end of the Reporting Period, the Company set up a total of 18 private equity investment funds. The amount of the funds subscribed totaled RMB42.639 billion and the amount of paid-in contribution totaled RMB36.865 billion. During the Reporting Period, the Company carried out or made additional investments in 42 investment projects via its private equity investment funds, among which 36 were equity investment projects and 6 were debt investment project; total investment amount was RMB2,343,107,200, among which RMB2,165,767,300 was for equity investment projects and RMB177,339,900 was for debt investment projects.

Number and amount of investment projects via its private equity investment funds



Number and amount of equity investment projects via its private equity investment funds



(3) Asset management business for fund companies

During the Reporting Period, fund companies under the Company actively responded to regulatory trends and market changes, continued to improve the compliance risk control system, actively explored client resources, constantly improved active investment management capabilities, and focused on creating distinctive and specialized products and service brands. As for asset management business of China Southern Asset Management, as of the end of the Reporting Period, the total assets managed by China Southern Asset Management amounted to RMB778.627 billion. Specifically, China Southern Asset Management managed a total of 167 funds in its mutual funds business, the total asset size of which amounted to RMB501.151 billion, and the total size of private funds business amounted to RMB277.476 billion. As for asset management by Huatai-PineBridge, as of the end of the Reporting Period, the total assets managed by Huatai-PineBridge amounted to RMB102.510 billion. Specifically, Huatai-PineBridge managed a total of 61 funds in its mutual funds business, the total asset size of which amounted to RMB88.617 billion, and the total asset size of private funds business amounted to RMB13.893 billion. (The profit or loss from equity investments of China Southern Asset Management and Huatai-PineBridge were included under other segments in the segment report.)

(4) Asset management business for futures companies

During the Reporting Period, Huatai Futures, a holding subsidiary of the Company, complying with the industry supervision trend, vigorously promoted the transformation of asset management business to active management, deepened the business model innovation and institutional business expansion, and actively built the industry-leading investment research system and client service system, so as to fully meet client needs. As of the end of the Reporting Period, Huatai Futures managed a total of 49 asset management plans which were in the duration period. The total asset management scale was RMB6,240,910,100, and the futures equity scale was RMB1,311,238,300.

(5) Alternative investment business

During the Reporting Period, the Company carried out alternative investment business through its wholly-owned subsidiary Huatai Innovative Investment. As of the end of the Reporting Period, there were 3 subsisting investment projects with an investment scale of RMB182 million. The investment varieties include qualified domestic limited partner, equity investments and others.

3. Prospect of investment management business for the second half of 2018

The investment management business provides a professional platform for the Group's financial product innovation and client asset management. It plays strategic roles of asset manager and product supplier, and shoulders the mission of building a competitive financial product line and assisting in the transformation of wealth management. In the second half of 2018, the Company will continue to make full use of the full business chain to enhance the ability to create differentiated financial products, expand the scale of quality and influential products and businesses, and continuously strengthen its leading position in the industry.

In respect of the asset management business for securities companies, the Company will continue to strictly implement the new requirements of the asset management rules, base ourselves upon customer needs, take root in the full business chain, continuously optimize product system layout, create a client-centric product library, and continuously improve active investment management capabilities and investment performance, and consolidate and enhance its market position and brand value. The Company will strengthen its expansion and deepening of the full ABS industrial chain, continue to enhance its business scale and market influence, expand the public fund management business, and constantly enhance its differentiated competitiveness.

In respect of the private equity fund management business, the Company will continue to focus on and penetrate into key industries, research and lay out emerging industries and high-end industries in a forward-looking manner, fully integrate internal and external resources, continuously improve market-oriented operational capabilities and professional service capabilities. It will continuously improve investment management systems and risk control systems, attach great importance to compliance and risk management, thus ensuring the stable and healthy business development.

In respect of the asset management business for fund companies, the Company will comply with industry trends and regulatory requirements, proactively promote differentiated product innovation, focus on improving investment

management capabilities, constantly promote the transformation of the sales system, adhere to the driving of financial technologies, and strive to enhance differentiated competitiveness.

In respect of the asset management business for futures companies, the Company will focus on improving investment management capabilities, actively integrate and upgrade the client service system, improve the collaboration service mechanism of the full service chain centered on client needs, intensify resource integration efforts and enhance market influence.

In respect of the alternative investment business, the Company will strengthen the research and development of new strategies, capture investment opportunities and steadily improve investment returns.

(IV) International Business

1. Market environment and industry trend of international business

(1) The two-way opening up of capital market accelerates the internationalization of securities industries, and clients' demand for cross-border services promotes the international service capabilities of securities companies.

In recent years, with the introduction of a series of policies, such as the relaxation of the foreign investment access policy in the securities industry, the further expansion of QDII, RQDII, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the cancellation of QFII and RQFII remittance restrictions, and the inclusion of A-shares into MSCI Index, the two-way opening up of capital market has expanded steadily, the interconnection extent of domestic and overseas markets has continued to deepen, and the internationalization of securities companies has accelerated. At the same time, as clients' demand for cross-border wealth management, investment and financing are growing, and the global asset allocation continues to increase, Chinese-funded securities companies with large client bases are granted strategic opportunities for international development. The comprehensive and multi-regional international business platform can help securities companies seize the growing cross-border business opportunities, meet the cross-border business needs of clients, and continuously enhance their influence in international services.

(2) Opportunities and growth potential of the US TAMP market

From the perspective of the policy environment, although the US Department of Labor's new rules governing the fiduciary duties of brokers engaged in pension investment management business have been postponed, the market consensus and the intensification of supervision by other regulators will promote continuously the transformation of independent investment consultants' charge model from commissions to fees, and the transparency of fees will be further enhanced. From the perspective of business development trend, technology platforms are increasingly important to the US investment consulting industry. Clients are constantly looking for better and more convenient technology services, and the funds from investors are also continuously transferred to investment products with lower cost and fees. The TAMP platform with economies of scale will embrace favorable development opportunities.

2. Operational measures and achievements of international business

(1) Business in Hong Kong

During the Reporting Period, Huatai International completed the integration of Huatai Financial Holdings (Hong Kong) which became the Company's holding platform for international business and was fully integrated into the full business chain system of the Group. We continuously deepened the business lines management and resources integration, and effectively promoted cross-border linkage to provide a full range of cross-border integrated financial services for domestic and foreign customers. In respect of the investment banking business, the Company continued to expand financing channels for customers, and actively provided overseas equity services and overseas bond services. In respect of the brokerage and wealth management business, the Company focused on the layout in financial technology field and improved the product and customer service processes to provide customers with overseas asset allocation and wealth management services. In respect of the research and institutional sales business, the Company actively expanded business coverage, deepened A+H research integration and domestic and foreign sales team cooperation, to effectively enhance market influence. In respect of the equity derivatives business, the

Company actively built a cross-border derivative business platform to meet clients' financing and risk management needs. In respect of the fixed income sales and trading business, the Company continued to enhance its investment management capabilities, improve business systems and actively provide overseas financial products. In respect of the cross-border and structural financing business, the Company strictly controlled risks and strengthened all-round customer service capabilities to provide financial support for clients' cross-border and overseas investments. In respect of the asset management business, the Company constantly enhanced actively-managed asset management capabilities, actively developed various RMB asset management products, and continuously optimized clients' assets allocation.

During the Reporting Period, Huatai Financial Holdings (Hong Kong) maintained healthy and diversified business development, and the cross-border business layout achieved remarkable results. The proportion of cross-border business revenue increased significantly. As of the end of the Reporting Period, Huatai Financial Holdings (Hong Kong) had a paid-in capital of HKD8.8 billion, and such capital scale was among the forefront of the industry in Hong Kong. As for securities trading, Huatai Financial Holdings (Hong Kong) achieved the total assets under custody of HKD14.573 billion and the total stocks trading volume of HKD23.871 billion; as for futures contract trading, it achieved the funds under custody of HKD30 million and the total futures trading volume of 7,100 board lots; as for advising on securities, it provided research reports and advisory services for about 7,500 customers; as for advising on corporate finance, it participated in 4 IPO projects, 1 allotment project and 7 bond issue projects, with a total underwriting quantity of 12 and the total amount of trading and issuance reaching about HKD22.892 billion; as for financing for securities deposits, it achieved the accumulated credit amount of HKD2.753 billion; as for providing assets management, it achieved a total amount of funds under custody of HKD356.103 billion (including the scale of funds under custody of AssetMark). Besides, during the Reporting Period, Huatai Financial Holdings (Hong Kong) also completed 1 financial advisory project and 3 structured investments and financing projects.

(2) AssetMark

During the Reporting Period, AssetMark continued centering on customers, upheld high professional ethics, provided the best service and mutual-respect values, and always adhered to four core strategies, including: asset management excellence, compelling technology platform, commercial thought leadership and deep relationship with customers. Such clear strategies helped AssetMark define its long-term goals and promote the effective implementation of day-to-day operation. AssetMark adhered to create a full-service TAMP model through combination of competitive asset management products, compelling technology platforms and quality customer services. According to Cerulli Associates Inc. and other public information, as of the end of the first quarter of 2018, AssetMark's market share in the TAMP industry was 9.7%, ranking third in the industry.

During the Reporting Period, AssetMark achieved relatively stable growth in spite of the increasing volatility in the US capital market. As of the end of the Reporting Period, the total assets under management of the AssetMark platform reached USD45.274 billion, representing an increase of approximately 6.8% from the end of 2017; the AssetMark platform served an aggregate of more than 7,300 independent investment consultants, representing an increase of approximately 2.6% from the end of 2017; AssetMark platform served 218,000 terminal accounts, which grew by approximately 10.6% from the end of 2017. During the Reporting Period, more than 450 independent investment consultants signed new contracts with AssetMark.

Industry leading wealth management business



Asset management excellence

Manager/strategist's due diligence and option
 Market and scenario analysis
 Structure and analysis of portfolios
 Rebalance and tracking of portfolios
 Analysis on reports and results



Advanced technology

Simultaneous development of external cooperation and internal R&D
 Assembling and open structure platform
 Digital service tool for investment advisors
 PortfolioEngine ® 2.0
 AssetMark WealthBuilder
 Investor Portal 2.0



Quality service

Operational support
 On-site expert consultation
 Leading management model
 Back-office support
 Thought leadership

3. Prospect of international business for the second half of 2018

International business shoulders the strategic mission of deepening cross-border development of the full business chain. Promoting high-quality development of international business is the key to the Company's international strategic layout as well as the key to expanding room for development and creating new profit growth. In the second half of 2018, the Company will continue to seize the strategic opportunity of two-way opening up of the capital market and clients' increasing demand for global asset allocation, comprehensively deepen cross-border linkage and synergy and give full play to domestic resource advantages, so as to accelerate breakthroughs in key areas, establish differentiated competitiveness and build a new pattern of international business development with Huatai characteristics.

Huatai Financial Holdings (Hong Kong) will continue to deepen its connection with the Group's full business chain system, focus on establishing and building the overseas innovative investment banking service system, overseas stocks research and institutional sales and trading system, overseas financial product platform and overseas wealth management service system. It will perfect the cross-border integrated financial services platform, and optimize the multi-level client service and management system, and further make layout in global capital markets, constantly improving cross-border capital market service capabilities.

AssetMark will actively grasp industry trends, continue to strengthen investment in core technologies, product matrices and client services, consolidate and enhance the quality of technology platforms and client services, thus enhancing client loyalty and satisfaction and further expanding business scale and enhancing profitability in the US domestic market.

(V) Business innovation and its effects on the Company's business performance and future development, and how to control relevant risks

1. Main business innovation and its effects on the Company's business performance and future development

In December 2017, the Company received the official reply letter from CSRC and was approved the pilot qualification to conduct cross-border business. In the initial stage of cross-border business, we mainly engaged in the intermediary business for cross-border OTC derivatives, provided clients with financial products and trading services linked with overseas subjects, and carried out hedging transactions with overseas counterparties to ensure that the Company's overall risk exposure was controllable. At the beginning of the business, Huatai Financial Holdings (Hong Kong) was the main overseas counterparty of the Company. The cross-border business can meet the cross-border business needs of clients, expand our revenue sources and enhance our international influence.

2. Risk control for business innovations

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

In order to improve the effectiveness of cross-border business management, the Company has established a relatively complete cross-border cooperation and linkage management mechanism. The Company implemented unified management from the group level for the risk approval and risk limit management of business-related project. Specifically, as for the unique risk points of cross-border OTC derivatives business, the Company improved managerial measures for financial derivatives OTC trading business and integrated cross-border OTC derivatives business into a unified management framework. The Company has formulated the risk limit indicator system for cross-border business as well as corresponding control measures for various risks that the business may face, including market risk, credit risk, model risk, operation risk and liquidity risk.

II. MAJOR BUSINESS OPERATION DURING THE REPORTING PERIOD

(I) Analysis of Main Businesses

1. Analysis table of the changes in relevant items of the income statement and the cash flow statement

Unit and Currency: RMB thousand

Item	Amount for the current period	Amount in the corresponding period of last year	Change percentage (%)
Total revenue and other income	11,979,979	12,420,115	(3.54)
Total expenses	(8,926,853)	(8,662,543)	3.05
Profit before income tax	4,020,480	3,986,863	0.84
Profit for the year attributable to the shareholders of the Company	3,158,898	2,993,250	5.53
Net cash generated from/ (used in) operating activities	16,064,051	(2,251,987)	N/A
Net cash (used in)/generated from investing activities	(7,534,163)	2,637,895	(385.61)
Net cash used in financing activities	(9,040,936)	(7,033,801)	28.54
Net decrease in cash and cash equivalents	(511,048)	(6,647,893)	(92.31)
Research and development expense	163,463	104,811	55.96

2. Revenue and other income

As of June 30, 2018, the revenue and other income of the Group were RMB11,980 million, representing a year-on-year decrease of RMB440 million or 3.54%, mainly due to the decrease in fee and commission income and net investment gains, in which:

- (1) Fee and commission income recorded a year-on-year decrease of 10.86% to RMB5.092 billion, accounting for 42.50% of the total income, mainly due to the decrease in commission income from brokerage business, and the decrease in fee income, which was attributable to the AssetMark's partial fee income from asset management was changed to be expressed on a net basis as a result of the change in applicable accounting standards.
- (2) Interest income recorded a year-on-year increase of 9.25% to RMB4,840 million, accounting for 40.40%, mainly attributable to the growth of business scale of the capital intermediary business.
- (3) Net investment gains recorded a year-on-year decrease of 28.26% to RMB1.562 billion, accounting for 13.04% of the total income, mainly due to the decrease in investment income from the Company's self-operated businesses as a result of the downturn in the stock market during the Reporting Period.
- (4) Other income and gains recorded a year-on-year increase of 385.44% to RMB486 million, accounting for 4.06% of the total income, mainly due to the increase in the business income from futures physical transactions.

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

Unit and Currency: RMB thousand

Item	January 1 to June 30, 2018		January 1 to June 30, 2017		Increase/Decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission income	5,092,311	42.50%	5,712,822	45.99%	(620,511)	(10.86)%
Interest income	4,839,701	40.40%	4,429,961	35.67%	409,740	9.25%
Net investment gains	1,561,825	13.04%	2,177,187	17.53%	(615,362)	(28.26)%
Other incomes and gains	486,142	4.06%	100,145	0.81%	385,997	385.44%
Total revenue and other income	11,979,979	100.00%	12,420,115	100.00%	(440,136)	(3.54)%

3. Total expenses

As of June 30, 2018, the Group's total expenses were RMB8,927 million, representing a year-on-year growth of 3.05%, mainly due to the increase in interest expenses, in which:

- (1) Fee and commission expenses amounted to RMB1,196 million, representing a year-on-year decrease of 34.01%, mainly due to the decrease in fee expenses on asset management of AssetMark;
- (2) Interest expenses were RMB3,530 million, representing a year-on-year increase of 30.35%, mainly due to the growth of financing scale;
- (3) Staff costs were RMB2,656 million, representing a year-on-year decrease of 6.93%, mainly due to the decrease in the Company's corresponding staff performance bonus;
- (4) Other expenses, which mainly included depreciation and amortization expenses, tax and surcharge as well as (reversal of)/provision for asset impairment loss and other operating expenses. Specifically, other operating expenses were RMB1,115 million, representing a year-on-year increase of 19.20% during the Reporting Period, which was mainly attributable to the increase in the business cost of futures physical transactions.

Unit and Currency: RMB thousand

Item	January 1 to June 30, 2018		January 1 to June 30, 2017		Increase/Decrease	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Fee and commission expenses	(1,195,669)	13.39%	(1,811,768)	20.91%	616,099	(34.01)%
Interest expenses	(3,530,126)	39.56%	(2,708,184)	31.26%	(821,942)	30.35%
Staff costs	(2,655,916)	29.75%	(2,853,532)	32.95%	197,616	(6.93)%
Depreciation and amortization expenses	(296,752)	3.32%	(279,944)	3.23%	(16,808)	6.00%
Business tax and surcharges	(72,611)	0.81%	(67,567)	0.78%	(5,044)	7.47%
Other operating expenses	(1,115,270)	12.49%	(935,603)	10.80%	(179,667)	19.20%
(Provision for)/reversal of impairment losses	(60,509)	0.68%	(5,945)	0.07%	(54,564)	917.81%
Total expenses	(8,926,853)	100.00%	(8,662,543)	100.00%	(264,310)	3.05%

4. Analysis of income and other gains and expenses

(1) Analysis of segment income and other gains

Unit and Currency: RMB thousand

Business segment	Segment income and other gains for the current period	Percentage of total segment income and other gains for the current period (%)	Segment income and other gains for the same period of last year	Percentage of total segment income and other gains for the same period of last year (%)	Increase or decrease in percentage of total segment income and other gains as compared to the same period of last year
Wealth management business	6,902,869	57.62	6,517,205	52.47	Increase of 5.15 percentage points
Institutional services business	1,154,083	9.63	2,227,340	17.93	Decrease of 8.30 percentage points
Investment management business	1,501,065	12.53	1,340,369	10.79	Increase of 1.74 percentage points
International business	1,501,002	12.53	1,709,823	13.77	Decrease of 1.24 percentage points
Others (including offset)	920,960	7.69	625,378	5.04	Increase of 2.65 percentage points

During the Reporting Period, on a combined basis, the Company recorded income and other gains of RMB11,979,979 thousand, representing a year-on-year decrease of 3.54%. Among principal business segments, income and other gains from wealth management, institutional services, investment management and international business increased by RMB385,664 thousand, RMB-1,073,257 thousand, RMB160,696 thousand and RMB-208,821 thousand, respectively.

In terms of income structure, due to the increase in interest income from capital intermediary business and income from futures physical transaction business, income from wealth management business segment as a percentage of total income increased by 5.15 percentage points; due to increase in asset management business and direct investment business, income from investment management business as a percentage of total income increased by 1.74 percentage points; due to the weakening of the stock market and the decrease in stock investment income, income from institutional services business segment as a percentage of total income decreased by 8.30 percentage points; due to the changes in applicable accounting standards of AssetMark and the settlement of part of asset management fee income on net basis, income from international business segment as a percentage of total income decreased by 1.24 percentage points.

(2) Analysis of segment expenses

Unit and Currency: RMB thousand

Business segment	Segment expenses for the current period	Percentage of total segment expenses for the current period (%)	Segment expenses for the same period of last year	Percentage of total segment expenses for the same period of last year (%)	Increase or decrease in percentage of total segment expenses as compared to the same period of last year
Wealth management business	(4,121,185)	46.17	(3,579,134)	41.32	Increase of 4.85 percentage points
Institutional services business	(1,789,183)	20.04	(1,122,265)	12.96	Increase of 7.08 percentage points
Investment management business	(503,154)	5.64	(634,416)	7.32	Decrease of 1.68 percentage points
International business	(1,301,869)	14.58	(1,708,966)	19.73	Decrease of 5.15 percentage points
Others (including offset)	(1,211,462)	13.57	(1,617,762)	18.68	Decrease of 5.11 percentage points

In terms of expenses of each business segment as a percentage of total expenses of the Company, expenses of wealth management business segment increased by 4.85 percentage points, which was mainly due to the increase in interest expenses and the cost of futures physical transaction business caused by income growth; the expenses of institutional services segment increased by 7.08 percentage points, which was mainly due to the increase in interest expenses of this segment; expenses of international business segment decreased by 5.15 percentage points, which was mainly due to the decrease in expenses of asset management fee of AssetMark.

5. R&D investment

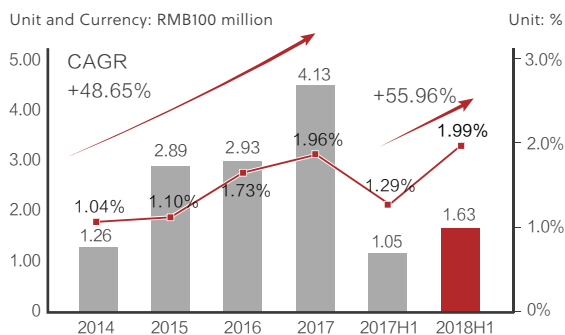
Unit and Currency: RMB10 thousand

R&D investment expensed in the current period	2,942.41
R&D investment capitalized in the current period	13,403.84
Total R&D investment	16,346.25
Total R&D investment as a percentage of net asset (%)	0.18
Total R&D investment as a percentage of operating revenue (%)	1.99
Number of R&D employees of the Company	655
Number of R&D employees as a percentage of total number of employees of the Company (%)	7.47
Percentage of R&D investment capitalized (%)	82.00

Note: The number of R&D employees of the Company is calculated based on the number of IT employees of the Group.

R&D investment

Unit and Currency: RMB100 million



Descriptions:

The Company fully recognizes the importance of IT to its strategic development and has always insisted on putting R&D in the first priority and having independently carried out the development and construction of its IT system at a very early stage. The Company has always insisted on improving IT development through innovation, from leading the industry in the large-scale application of online transactions to making forward-looking layout of the mobile Internet platform.

■ Total R&D investment
 — Total R&D investment as a percentage of operating revenue

Source: Regular reports of the Company

6. Analysis of cash flow

Unit and Currency: RMB thousand

Item	Amount for the current period	Amount in the corresponding period of last year	Amount increased or decreased	Increase/decrease percentage(%)
Net cash generated from/ (used in) from operating activities	16,064,051	(2,251,987)	18,316,038	N/A
Net cash (used in)/generated from investing activities	(7,534,163)	2,637,895	(10,172,058)	(385.61)
Net cash used in financing activities	(9,040,936)	(7,033,801)	(2,007,135)	28.54
Net decrease in cash and cash equivalents	(511,048)	(6,647,893)	6,136,845	(92.31)

During the Reporting Period, the net decrease of cash and cash equivalent of the Group was RMB511,048 thousand, in which:

- (1) Net cash generated from operating activities of RMB16,064,051 thousand, which was mainly due to the increase in financial assets sold under repurchase agreements.
- (2) Net cash used in investing activities of RMB7,534,163 thousand, which was mainly due to the increase in financial assets measured at amortized cost.
- (3) Net cash used in financing activities of RMB9,040,936 thousand, which was mainly due to the increase in cash paid by the Company for the repayment of issued debt instruments during the year.

7. Others

(1) Detailed description of significant changes in components or sources of the Company's profit

Unit and Currency: RMB thousand

Item	Amount for the current period	Amount for the same period of last year	Year-on-year change (%)	Principal reason
Total revenue and other gains	11,979,979	12,420,115	(3.54)	Decrease in fee and commission income and investment gains
Total expenses	(8,926,853)	(8,662,543)	3.05	Increase in interest expenses
Operating profit	3,053,126	3,757,572	(18.75)	Decrease in total revenue and other gains
Profit before income tax	4,020,480	3,986,863	0.84	Increase in profit of associates and joint venture
Profit for the year	3,206,485	3,054,567	4.97	Increase in profit before income tax
Among which: profit for the year attributable to shareholders of the parent company	3,158,898	2,993,250	5.53	Increase in profit before income tax
Total assets	395,638,307	381,482,540	3.71	Increase in amount of financial assets
Total liabilities	304,187,275	292,892,628	3.86	Increase in interest-bearing liabilities
Total shareholders' equity	91,451,032	88,589,912	3.23	Increase in retained profit

In 2018, the principal businesses of the Company remained wealth management, institutional services, investment management and international business. There were no significant changes in components or sources of the Company's profit.

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

1. Overview of Consolidated Statement of Financial Position

Unit and Currency: RMB thousand

Item	June 30, 2018		December 31, 2017		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
Non-current assets						
Property and equipment	3,690,955	0.93%	3,737,471	0.98%	(46,516)	(1.24)%
Investment properties	799,914	0.20%	844,705	0.22%	(44,791)	(5.30)%

Item	June 30, 2018		December 31, 2017		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
Goodwill	1,996,345	0.50%	1,971,722	0.52%	24,623	1.25%
Other intangible assets	5,214,859	1.32%	5,137,749	1.35%	77,110	1.50%
Interest in associates	9,583,971	2.42%	8,895,908	2.33%	688,063	7.73%
Interest in joint ventures	616,099	0.16%	–	–	616,099	–
Financial assets measured at amortised cost	11,021,766	2.79%	–	–	11,021,766	–
Financial assets at fair value through other comprehensive income	10,719,677	2.71%	–	–	10,719,677	–
Available-for-sale financial assets	–	–	29,766,929	7.80%	(29,766,929)	(100.00)%
Financial assets held under resale agreements	4,806,543	1.21%	8,424,304	2.21%	(3,617,761)	(42.94)%
Financial assets at fair value through profit or loss	6,551,832	1.66%	1,796,667	0.47%	4,755,165	264.67%
Refundable deposits	9,512,528	2.40%	7,302,285	1.91%	2,210,243	30.27%
Deferred tax assets	449,484	0.11%	472,556	0.12%	(23,072)	(4.88)%
Other non-current assets	300,874	0.08%	81,047	0.02%	219,827	271.23%
Total non-current assets	65,264,847	16.50%	68,431,343	17.94%	(3,166,496)	(4.63)%
Current assets						
Accounts receivable	2,738,956	0.69%	1,980,337	0.52%	758,619	38.31%
Other receivables and prepayments	7,772,538	1.96%	6,259,561	1.64%	1,512,977	24.17%
Margin accounts receivable	52,137,999	13.18%	59,991,454	15.73%	(7,853,455)	(13.09)%
Financial assets measured at amortised cost	1,442,595	0.36%	–	–	1,442,595	–
Available-for-sale financial assets	–	–	14,816,239	3.88%	(14,816,239)	(100.00)%
Financial assets held under resale agreements	51,721,508	13.07%	53,381,011	13.99%	(1,659,503)	(3.11)%
Financial assets at fair value through profit or loss	118,386,526	29.92%	82,753,755	21.69%	35,632,771	43.06%

Item	June 30, 2018		December 31, 2017		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
Derivative financial assets	1,795,404	0.45%	391,714	0.10%	1,403,690	358.35%
Clearing settlement funds	1,552,344	0.39%	1,147,448	0.30%	404,896	35.29%
Cash held on behalf of brokerage clients	65,503,653	16.56%	65,303,548	17.12%	200,105	0.31%
Cash and bank balances	27,321,937	6.91%	27,026,130	7.08%	295,807	1.09%
Total current assets	330,373,460	83.50%	313,051,197	82.06%	17,322,263	5.53%
Total assets	395,638,307	100.00%	381,482,540	100.00%	14,155,767	3.71%
Current liabilities						
Short-term bank borrowings	400,082	0.13%	—	—	400,082	—
Short-term debt instruments issued	29,280,330	9.63%	26,656,010	9.10%	2,624,320	9.85%
Placements from financial institutions	14,225,422	4.68%	7,029,998	2.40%	7,195,424	102.35%
Accounts payable to brokerage clients	67,939,857	22.33%	67,335,545	22.99%	604,312	0.90%
Employee benefits payable	964,695	0.32%	2,668,777	0.91%	(1,704,082)	(63.85)%
Other payables and accruals	64,085,117	21.07%	62,615,235	21.38%	1,469,882	2.35%
Current tax liabilities	158,196	0.05%	433,551	0.15%	(275,355)	(63.51)%
Financial assets sold under repurchase agreements	39,757,615	13.07%	23,921,537	8.17%	15,836,078	66.20%
Financial liabilities at fair value through profit or loss	7,571,458	2.49%	12,035,660	4.11%	(4,464,202)	(37.09)%
Derivative financial liabilities	764,105	0.25%	1,642,283	0.56%	(878,178)	(53.47)%
Long-term bonds due within one year	18,100,000	5.95%	21,597,480	7.37%	(3,497,480)	(16.19)%
Total current liabilities	243,246,877	79.97%	225,936,076	77.14%	17,310,801	7.66%
Net current assets	87,126,583	28.64%	87,115,121	29.74%	11,462	0.01%
Total assets less current liabilities	152,391,430	50.10%	155,546,464	53.11%	(3,155,034)	(2.03)%
Non-current liabilities						
Long-term bonds	48,510,477	15.95%	55,600,796	18.98%	(7,090,319)	(12.75)%

Item	June 30, 2018		December 31, 2017		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
Placements from financial institutions	972,983	0.32%	—	—	972,983	—
Long-term employee benefits payable	6,538,098	2.15%	6,078,642	2.08%	459,456	7.56%
Deferred tax liabilities	2,113,583	0.69%	1,931,446	0.66%	182,137	9.43%
Financial liabilities at fair value through profit or loss	2,051,256	0.67%	2,345,668	0.80%	(294,412)	(12.55)%
Financial assets sold under repurchase agreements	754,001	0.25%	1,000,000	0.34%	(245,999)	(24.60)%
Total non-current liabilities	60,940,398	20.03%	66,956,552	22.86%	(6,016,154)	(8.99)%
Net assets	91,451,032	100.00%	88,589,912	100.00%	2,861,120	3.23%
Shareholders' equity						
Share capital	7,162,769	7.83%	7,162,769	8.09%	—	—
Reserves	60,351,975	65.99%	61,195,954	69.08%	(843,979)	(1.38)%
Undistributed profits	22,657,506	24.78%	18,977,215	21.42%	3,680,291	19.39%
Total equity attributable to shareholders of the Company	90,172,250	98.60%	87,335,938	98.58%	2,836,312	3.25%
Non-controlling interests	1,278,782	1.40%	1,253,974	1.42%	24,808	1.98%
Total shareholders' equity	91,451,032	100.00%	88,589,912	100.00%	2,861,120	3.23%

As of June 30, 2018, total non-current assets of the Group amounted to RMB65,265 million, representing a decrease of RMB3,166 million as compared to the beginning of the year, which was mainly due to the decrease in financial assets held under resale agreements of RMB3,618 million, a decrease of RMB3,270 million in financial assets measured at amortized cost, financial assets at fair value through other comprehensive income (FVTOCI), available-for-sale financial assets, and financial assets at fair value through profit or loss (FVTPL), and an increase in refundable deposits of RMB2,210 million. As of June 30, 2018, total non-current liabilities of the Group amounted to RMB60,940 million, representing a decrease of RMB6,016 million as compared to the beginning of the year, which was mainly due to the decrease in long-term bonds of RMB7,090 million.

As of June 30, 2018, total current assets of the Group amounted to RMB330,373 million, representing an increase of RMB17,322 million as compared to the beginning of the year, which was mainly due to the increase of RMB22,259 million in financial assets measured at amortized cost, available-for-sale financial assets, and financial assets at fair value through profit or loss, and decrease in margin accounts receivable of RMB7,853 million. As of June 30, 2018, total current liabilities of the Group amounted to RMB243,247 million, representing an increase of RMB17,311 million as compared to the beginning of the year, which was mainly due to the increase in financial assets sold under repurchase agreements of RMB15,836 million, increase in placements from financial institutions of RMB7,195 million, decrease in financial liabilities at fair value through profit or loss of RMB4,464 million, and decrease in long-term bonds due within one year of RMB3,497 million.

2. Major restricted assets as of the end of the Reporting Period

As of the end of the Reporting Period, major restricted assets of the Company totaled RMB58,925,008,000, including financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial assets at amortized cost, margin accounts receivable and cash and bank balances.

3. Structure and quality of assets

As of June 30, 2018, total shareholders' equity of the Group amounted to RMB91,451 million, representing an increase of RMB2,861 million as compared to the beginning of the year, which was mainly due to the increase in the Group's profit.

The asset structure of the Group continues to be optimized and the assets have good quality and liquidity. As of June 30, 2018, total assets of the Group amounted to RMB395,638 million, representing an increase of RMB14,156 million or 3.71% as compared to the beginning of the year. Specifically, cash and bank balances and clearing settlement funds accounted for 7.30% of total assets; financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost, available-for-sale financial assets, accounts receivable, other receivables and prepayment accounted for 40.10% of total assets; margin accounts receivable accounted for 13.18% of total assets; cash held on behalf of brokerage clients accounted for 16.56% of total assets; financial assets held under resale agreements accounted for 14.29% of total assets; and property and equipment accounted for 0.93% of total assets. Most of the assets have strong cashability. The Group's assets have strong liquidity and the asset structure is reasonable. As of June 30, 2018, the ratio of current assets to current liabilities was 135.82%.

As of June 30, 2018, the Company obtained funds through placement from China Securities Finance Corporation Limited, borrowings and debt financing instruments. As of the end of the Reporting Period, total placements from other financial institutions of the Group amounted to RMB111,489,294,510.95. Details are shown as follows:

Unit and Currency: RMB

Borrowings and debt financing plans	As of June 30, 2018
Placement from China Securities Finance Corporation Limited	9,500,000,000
Placements from financial institution	5,698,404,739.60
Short-term borrowings	400,082,397.63
Short-term financing funds payable	29,280,330,000.00
Bonds payable	66,610,477,373.72
Total	111,489,294,510.95

Borrowings and debt-financing with a financing maturity of more than one year were RMB68,079 million, accounting for 61.06%. Among them, programs with a financing maturity of one to two years were RMB21,643 million, two to five years were RMB40,444 million, and more than five years were RMB5,993 million. Borrowings and debt-financing with a financing maturity of less than one year were RMB43,410 million, accounting for 38.94%.

As of June 30, 2018, the Group's borrowings and debt financing with fixed interest rate were RMB101,410 million, including the balance of the short-term borrowings was RMB400 million; the balance of placement from China Securities Finance Corporation Limited was RMB9,500 million; the balance of income receipts with fixed interest rate was RMB15,782 million; the balance of corporate bonds was RMB48,587 million; the balance of subordinated debts was RMB18,800 million; the balance of foreign debts was RMB2,644 million; and the balance of placements from financial institution was RMB5,698 million.

As of June 30, 2018, cash and cash equivalents of the Group amounted to RMB30,893 million, of which RMB cash and cash equivalents accounted for 93.15%.

As of June 30, 2018, the Group had no borrowings pledged by assets.

4. Analysis of the profitability of the Company during the Reporting Period

During the Reporting Period, the total revenue and other income of the Company amounted to RMB11,979,979,000, representing a year-on-year decrease of 3.54%. The profit for the period attributable to the Shareholders of the Company amounted to RMB3,158,898,000, representing a year-on-year increase of 5.53%. In the face of unfavorable market environment, the Company continued to promote the wealth management transformation, various businesses of the Company maintained steady development. In addition, the Company continued to explore new business growth points, the operating performance of the Company achieved a growth in times of adversity, and our revenue and profit growth levels significantly outperformed the industry average level.

5. Explanations on the changes in the scope of consolidation of the statements

- (1) Change in the scope of consolidation as a result of disposal of subsidiaries

During the period, there was no disposal of subsidiaries.

- (2) Change in the scope of consolidation due to other reasons

There was no change in the scope of consolidation due to other reasons.

- (3) Changes in the scope of consolidation as a result of new structured entities incorporated into the consolidation scope

As to the manager or investment advisor and investor of structured entities at the same time, the Group assessed the return that the Group was entitled to for the shares held, and combined the influential structured entities whose managers' remuneration made the Group face variable return (mainly refers to asset management plan). The structured entities of the Group, which were included in the consolidated statement during the year, increased by 1 as compared with the end of last year.

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

During the Reporting Period, the Company's income tax was subject to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Enforcement Regulations of Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅實施條例》). The calculation and payment methods of the income tax shall be subject to Announcement of the State Administration of Taxation on Issuing the Measures for the Consolidated Collection of Corporate Income Tax on Trans-regional Business Operations (GJSWZJGG [2012] No. 57) (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告(國家稅務總局公告[2012]57號)》). The income tax rate applicable to the Company and its domestic subsidiaries is 25%. The Company enjoys the preferential policy of calculating and deducting research and development expenses, and the profit tax rate applicable to the Hong Kong subsidiary of the Company is 16.5%. Other overseas subsidiaries of the Company are subject to income taxes at tax rates applicable in their jurisdictions.

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

<p>Financing channels of the Company</p>	<p>In terms of the financing methods, the Company’s financing channels included equity financing and debt financing. In terms of financing maturity, the Company’s short-term financing channels mainly included credit lending via interbank market, bond repurchase via interbank market and exchange market, issuing short-term corporate bonds, short-term subordinated debt and income credential, carrying out income rights financing in relation to margin financing and securities lending, and asset securitization, etc.; the Company’s medium and long-term financing channels mainly included issuing corporate bonds, long-term subordinated debt, non-public corporate bonds and equity refinancing, etc. After years of effective efforts, the Company explored and established a short, medium and long-term financing platform with new-type financing tools and multiple financing channels, which played a key role in the rapid development of the Company’s business.</p>
<p>Liquidity management policy and measures of the Company</p>	<p>The Company always attaches importance to liquidity management. As for funds management, it adhered to the principle — “full amount concentrated, allocated in a unified way, valued by classification and monitored timely” . In terms of management and development strategies, it paid attention to matching business scale with liabilities. Based on reasonable asset allocation and diversified debt financing, the Company ensured reasonable matching of duration, scale of assets and liabilities and proper liquidity. The Company followed the general comprehensive, prudential, predictive principles for liquidity risk management according to the centralized management and hierarchical prevention and control management model, established a liquidity risk management system based on a comprehensive risk management framework, as well as a sound liquidity risk management system appropriate to the Company’s strategy, and implemented liquidity risk management policy with preference for “steadiness and safety” . The Company ensured that no liquidity risk would cause significant impact on sustainable operation, so as to fully guarantee the steady and safe development of the Company. In order to ensure its liquidity, the Company has adopted various key measures, including: 1) constantly improving the capital planning system, strengthening the management of capital position and cash flow monitoring, and ensuring the security of daytime liquidity; 2) strengthening the management of matching the duration of assets and liabilities to establish high-quality current asset reserves in order to enhance the diversity and stability of financing; 3) continuously improving the liquidity management platform to effectively identify, measure, monitor and control liquidity risks through information system, in order to ensure that the liquidity risks are measurable, controllable and tolerable; 4) analyzing supervisory indicators of cash flow and liquidity risk under certain stress scenarios to evaluate the tolerance level of the Company to liquidity risks and analyzing the stress test results to constantly improve response capacity of liquidity risk; 5) organizing formulation, exercise and evaluation of the liquidity risk contingency plan, and improving the Company’s ability to handle liquidity risks; and 6) improving the liquidity risk reporting system so as to ensure that the management can timely understand the Group’s liquidity risk level and corresponding managerial situation.</p>
<p>Analysis of financing capability and financing strategy of the Company</p>	<p>The Company has exhibited regulated management, good prestige, strong capital strength, profitability and debt payment ability, good business relationships with commercial banks, sufficient bank credit, steady growth of credit line, and strong short-term and medium and long-term financing abilities. As a listed securities dealer, the Company is also able to meet the demand on funding of the long-term development through equity refinancing. For both liquidity and profitability, the Company held a certain amount of fixed-income products. Interest rate changes will bring direct impact to the Company’s interest income in cash, the market price of the bonds held for the debt investment and investment income, etc. Margin financing and securities lending and other capital intermediary business, corporate debt financing and other businesses that are directly related to interest rates may impact corresponding interest income and financing interest expenses. At the same time, the Company’s stock investment was also indirectly affected by interest rate changes. In addition, as the Company has registered overseas subsidiaries whose capital is contributed in foreign currency, the Company holds foreign currency funds and assets, and the change of exchange rates will have impact on the Company’s financial situation. To maintain the liquidity of the Company’s assets and rate of return, the Company’s own capital is uniformly managed by Capital Operation Department in accordance with a sound management system and corresponding business processes. The Company optimizes the distribution of assets and liabilities structure by timely adjusting the asset structure, strengthens research on the interest rate and exchange rate market, and uses the appropriate interest rate, exchange rate and other derivative financial tools to avoid risks and reduce the influence of these factors.</p>
<p>Contingencies and their impact on the financial position of the Company</p>	<p>At the end of Reporting Period, the Company’s contingencies mainly included providing counter guarantee to the Bank of China Limited for the USD400 million of foreign debt issued by the Hong Kong subsidiary of the Company, and contingent liabilities resulting from pending litigation and arbitration, and the above matters had little effect on the Company’s financial situation.</p>

(III) Analysis of Investments

1. Overall analysis of external equity investments

As of the end of the Reporting Period, long-term equity investments of the Group amounted to RMB10.2 billion, representing an increase of RMB1.304 billion or 14.66%, as compared to RMB8.896 billion at the beginning of the period.

Unit and Currency: RMB10 thousand

Investee	Balance at the beginning of the period	Increase and decrease in the current year	Balance at the end of the period
China Southern Asset Management	203,231.35	10,212.39	213,443.74
Bank of Jiangsu Co., Ltd.	505,410.12	25,556.90	530,967.02
Huatai-PineBridge	42,499.94	(4,106.72)	38,393.22
Huatai Ruilian Fund Management Co., Ltd.	39,059.22	6,287.51	45,346.72
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	60,146.59	12,939.69	73,086.29
Jiangsu Industry and Information Industry Investment Fund (Limited Partnership)	21,466.49	772.55	22,239.03
Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	—	61,259.94	61,259.94
Jiangsu Huatai Ares Fund Management Co., Ltd.	—	350.00	350.00
Others	17,777.09	17,144.03	34,921.12
Sub-total	889,590.80	130,416.27	1,020,007.07

- (1) The Company had no significant equity investment
- (2) The Company had no significant non-equity investment
- (3) Financial assets measured at fair value

Unit and Currency: RMB

Name of project	Balance at the end of the prior period	Balance at the end of this period	Investment income during the Reporting Period	The changed amount of fair value during the Reporting Period
Financial liabilities at fair value through profit or loss	14,381,328,363.06	9,622,714,370.12	183,054,563.89	163,891,002.69
Financial assets at fair value through profit or loss	84,550,421,345.70	124,938,357,897.68	1,200,210,442.93	(1,948,860,780.92)
Available-for-sale financial assets	44,583,168,305.62	—	—	—
Financial assets at fair value through other comprehensive income	—	10,719,677,218.31	—	—
Financial assets measured at amortised cost	—	12,464,360,617.10	142,601,221.18	—
Derivative financial instruments	(1,250,569,036.53)	1,031,299,010.43	(308,850,820.37)	2,129,779,472.37
Total	142,264,348,977.85	158,776,409,113.64	1,217,015,407.63	344,809,694.14

2. Information about the use of raised funds

(1) Overview of the use of raised funds

① Overview of the use of funds raised from the issuance of A shares

Under the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2010] No. 138) issued by the CSRC, the Company issued 784,561,275 ordinary shares to the public on February 9, 2010, each stock of which was RMB1.00 at an offering price of RMB20.00, and the total amount of funds raised was RMB15,691,225,500.00. The raised funds after deducting the underwriting fee and sponsoring fee of RMB130 million were RMB15,561,225,500.00, which were provided in place on February 12, 2010, and verified by Jiangsu Talent Certified Public Accountants with the capital verification report of "Tian Heng Yan Zi [2010] No. 009". As of December 31, 2012, all the funds raised from the IPO were used up and an accumulative of RMB15.6810 billion raised funds (including interest of raised funds of RMB119,808,200) were used. All of accounts designated for the use of raised funds had been cancelled with settlement of interests.

② Overview of the use of funds raised from the issuance of H Shares

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

According to the Capital Verification Report issued by KPMG Huazhen LLP, the net funds raised from the initial public issuance of H Shares in 2015 were RMB30,587,689,604.94 (excluding related listing fees), and raised funds after deducting the underwriting and issuing fees were RMB30,015,054,696.76. As of the end of the Reporting Period, interest income and exchange gains/losses of the Company on the basis of raised funds from the issuance of H Shares were RMB37,006,382.42. As of the end of the Reporting Period, RMB30,046,407,661.24 (including interest of raised funds and exchange gains/losses) of funds raised was used in total.

As of the date of this report, the Company, with respect to its IPO on the Hong Kong Stock Exchange and the issuance of new shares by an overallotment option, has used raised funds of: RMB18,352,613,762.96 for capital intermediary business, such as developing securities margin trading, RMB3,058,768,960.49 for expanding investment and transaction businesses, RMB3,058,768,960.49 for capital increase in Huatai Zijin Investment and Huatai Asset Management, RMB3,058,768,960.49 for expanding overseas business, and RMB2,517,487,016.81 for daily operation and other general enterprise purposes. Apart from the above usages, surplus of the Company's proceeds, about RMB578,288,326.12 (including interest of raised funds and exchange gains/losses), were not used, which were put into the bank account of the Company. As of June 30, 2018, planned usage of the Company's funds raised from H Share issuance was consistent with that disclosed in the prospectus with no change. The Company will continue to put funds raised from H Share issuance into operation according to the development strategy, market conditions and usage plan of funds raised from H Share issuance.

Overview of the use of raised funds

Unit and Currency: RMB10 thousand

Raising year	Raising method	Total amount of raised funds	Total amount of raised funds used in the Reporting Period	Total amount of raised funds used accumulatively	Total amount of raised funds yet to be used	Usage and whereabouts of raised funds unused
2015	Initial public offering (H Shares)	3,058,768.96	5,681.16	3,004,640.77	57,828.83	Used as working capital and for other purposes
2010	Initial public offering (A Shares)	1,556,122.55	—	1,568,103.37	—	—
Total	—	4,614,891.51	5,681.16	4,572,744.14	57,828.83	—
Notes to the overview of the use of raised funds						—

Note: For the overview of the use of funds raised from the issuance of A Shares, the surplus of RMB119.8082 million of the total amount of raised funds exceeding the initial funds raised was interest income generated from the designated account for the funds raised.

(2) There was no commitment in raised funds of the Company during the Reporting Period

(3) There was no changes in raised funds of the Company during the Reporting Period

3. Projects not funded by raised funds

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

(IV) The Company had no sales of significant assets and equities

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

(VI) Analysis of key subsidiaries

 HUATAI SECURITIES 华泰证券	HOLDING SUBSIDIARIES	 华泰联合证券 HUATAI UNITED SECURITIES		 99.92%
		 华泰期货 HUATAI FUTURES	SHAREHOLDING PERCENTAGE	 60%
		 江苏股权交易中心 JIANGSU EQUITY EXCHANGE		 52%
	WHOLLY-OWNED SUBSIDIARIES	 华泰证券(上海)资产管理有限公司 HUATAI SECURITIES (SHANGHAI) ASSET MANAGEMENT COMPANY LTD.		 100%
		 华泰国际金融控股有限公司	SHAREHOLDING PERCENTAGE	
		 华泰紫金投资有限责任公司 HUATAI ZIJIN INVESTMENT CO., LTD.		
	JOINT STOCK SUBSIDIARIES	 南方基金	FUND	 45%
		 华泰柏瑞基金 Huatai-Pineridge Investments	FUND	 49%
		 江苏银行 BANK OF JIANGSU	BANK	 5.54%

Unit and Currency: RMB10 thousand

Company name	Shareholding percentage of the Company	Address	Date of establishment	Responsible person	Telephone No.	Registered capital	Total assets	Net assets	Operating revenue	Total profits	Net profit
Huatai United Securities Co., Ltd.	99.92%	(O/A, 02, 03, 04), 17A, 18A, 24A, 25A, 26A in the 5/F, Hong Kong CTS Building, Central Square, Central Area, Fustian District, Shenzhen	September 5, 1997	Liu Xiaodan	010-56839300	99,748.00	490,871.93	356,171.02	85,424.19	30,389.24	22,991.64
		Securities underwriting and sponsorship (excluding treasury bonds, non-financial corporate debt financing instruments and financial bond underwriting), financial advisory for securities trading and investment related activities; other businesses approved by the CSRC.									
Huatai Securities (Shanghai) Asset Management Co., Ltd.	100%	21/F, 18 Dongfang Road, China (Shanghai) Pilot Free Trade Zone	October 16, 2014	Cui Chun	021-28972188	260,000.00	674,798.44	600,517.16	107,700.24	77,453.79	58,627.37
		Securities asset management; publicly offered securities investment funds management (businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).									
Huatai Zijin Investment Co., Ltd.	100%	180 Hanzhong Road, Nanjing	August 12, 2008	Jiang Jian	025-83389999	600,000.00	920,352.22	674,019.89	57,024.75	49,947.10	40,704.52
		Equity investment, debt investment, other fund investments associated with equity investment and debt investment; investment consulting and investment management for equity investment and debt investment; and financial consulting (businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).									
Huatai International Financial Holdings Company Limited	100%	Room 5808-12, 58/F, The Center, 99 Queen's Road Central, Hong Kong	April 5, 2017	Wang Lei	852-36586000	HKD8,800,000,002.00	1,896,396.46	799,800.45	101,098.42	20,528.08	16,026.92
		Holding company.									
Huatai Innovative Investment Co., Ltd.	100%	Room 1501, 15/F, Block 28, Fengsheng Hutong, Xicheng District, Beijing	November 21, 2013	Wang Lei	021-28972228	50,000.00	57,188.76	54,303.65	5,938.33	298.63	221.88
		Project investment, investment management, asset management, investment consulting, corporate management consulting, financial consulting (excluding businesses subject to special approval, such as auditing, capital verification, auditing, evaluation, accounting consultation, agency accounting, etc., as well as the issuance of corresponding written materials such as the audit report, capital verification report, audit report, evaluation report, etc.), hotel management, goods import and export, technology import and export, sale of non-ferrous metals, precious metals and related products, metallic materials, metallic ores, construction materials (excluding hazardous chemicals), rubber products, coal (excluding the trading, storage and transportation activities of physical coal in Beijing), glass, asphalt, agricultural and poultry products, fodder, edible oil, jewelry and handicrafts, purchase of gold products, and purchase of silver products.									
Huatai Futures Co., Ltd.	60%	20/F and Unit 04 of 29/F, Li Feng Building, 761 Dongfeng Eastern Road, Yuexiu District, Guangzhou	July 10, 1995	Wu Zufang	020-83901155	160,900.00	1,911,925.88	256,587.66	60,689.34	13,707.91	10,036.41
		Commodities futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund distribution (businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).									
Jiangsu Equity Exchange Co., Ltd.	52%	11/F, 188 Lushan Road, Nanjing	July 4, 2013	Hu Zhi	025-89620288	20,000.00	28,006.28	26,646.05	2,354.38	868.47	533.30
		Provision of premises, facilities and services for approved listing, registration, custody, trading, financing, settlement, transfer, dividend distribution and pledge of equity interests, bonds, assets and related financial products and derivatives of unlisted companies, organization and monitoring of trading activities, issuance of market information, trading of listed products as an agent, and provision of consultation services for market participants (businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).									
China Southern Asset Management Co., Ltd.	45%	31-33/F, Duty-free Business Building, 6 Fuhua First Road, Futian Sub-district, Futian District, Shenzhen	March 6, 1998	Zhang Halbo	0755-82763888	30,000.00	861,656.66	487,626.69	178,221.87	66,263.58	51,316.86
		Fund raising, fund distribution, asset management and other businesses approved by the securities regulatory authority under the State Council.									
Huatai-PineBridge Fund Management Co., Ltd.	49%	17/F, Building 1, Shanghai Zenda Wudaokou Square, Lane 1199, Mingsheng Road, China (Shanghai) Pilot Free Trade Zone	November 18, 2004	Jia Bo	021-38660177	20,000.00	133,930.94	84,354.92	35,864.58	11,740.78	8,803.49
		Fund management, promotion and establishment of funds, other businesses approved by CSRC (businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).									
Bank of Jiangsu Co., Ltd.	5.54%	26 Zhonghua Road, Nanjing	January 22, 2007	Xia Ping	025-52890919	1,154,445.00	184,786,785.30	11,793,340.40	1,721,763.40	783,141.10	691,755.40
		Deposits taking from the general public; granting short-term, medium-term and long-term loans; handling domestic settlements; handling the discounting of negotiable instruments; issuing financial bonds; acting as an agent for the issue, honoring and underwriting of government bonds and underwriting of short-term commercial papers; buying and selling government bonds, financial bonds, corporate bonds, engaging in interbank lending; providing letter of credit services and guaranty; acting as an agent for receipts/payments and insurance business, wealth management, fund sales, precious metals sales, receipts/payments and custody of collective fund trust scheme; provision of safe deposit boxes; handling entrusted deposits and loans; bank card services; foreign currency deposits; foreign currency loans; foreign exchange remittances; currency exchange; settlement and sales of foreign settlement and sales of foreign exchange; international settlement; proprietary trading and agency for trading of foreign exchange; interbank foreign exchange lending, trading and agency for trading in foreign currency securities other than stocks; credit investigation, consultation and witness services; online banking, and other services approved by the banking regulatory bodies and relevant authorities (businesses that need to be approved by law shall be carried out upon the approval of relevant authorities).									

(VII) Structured entities controlled by the Company

The structured entities consolidated by the Group mainly refer to the asset management plan of the Group as the manager or investment consultant and investor. The Group carries out a comprehensive assessment of whether the return that the Group is entitled to for the held shares or the payment as a manager of the asset management plan or investment consultant will seriously affect the variable return of the Group, and according to this, determine whether the Group is the main responsible person of the asset management plan. As of June 30, 2018, the Group has consolidated 30 structured entities whose total asset is RMB59,970,445,590.93. The carrying amount of interests held by the Group in the consolidated structured entities is RMB4,828,540 thousand.

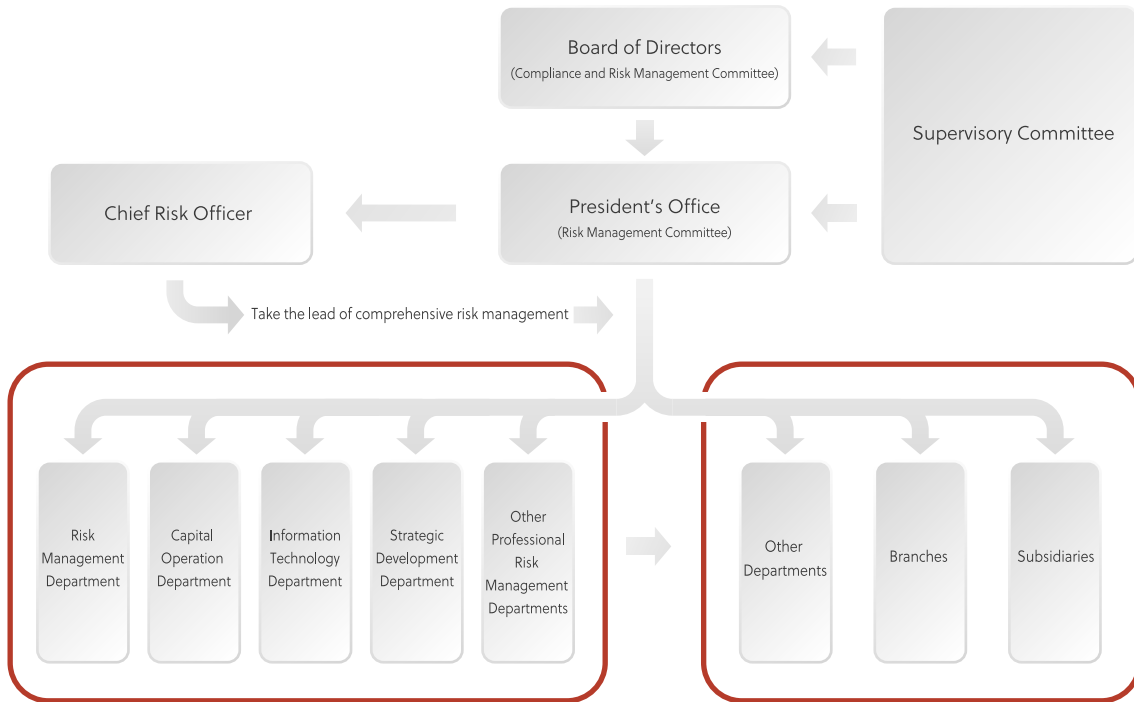
(VIII) Potential Risks and Risk Prevention Measures

1. Introduction to risk management

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

During the Reporting Period, the Company continued to deepen and improve the comprehensive risk management system and enhance the Group’s risk management in light of the actual situation. The Company further optimized and improved the risk management assessment system to promote the awareness of risk management among all employees. The Company strengthened the management of its subsidiaries, and continuously urged its subsidiaries to fully implement the Group’s requirements on the overall risk management, so as to promote the construction of consolidated statement management system of the Group. The Company made resolute progresses towards the construction of collectivized risk-management technology system, and carried out the phase II of the platform integrating transactions, investment portfolios and risk management on schedule. The Company strengthened the penetration of professional risk management and control, promoted professional risk management with the idea of collective risk management of the Group, effectively prevented and controlled risks and improved the efficiency and capacity of professional risk management and control at the group level by strengthening front-end risk identification, risk management and control and responds.

2. Risk management structure



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

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

The Board of Supervisors is responsible for supervising the overall risk management, supervising and examining the Board and President's Office on the performance of their duties of risk management, and urging them to make rectifications. Based on the authorization and approval of the Board and the operational targets of the Company, the President's Office is specifically responsible for the implementation of risk management and assumes the primary responsibility for the overall risk management. Upon authorization of the President's Office, the Risk Control Committee under the President's Office is mainly responsible for making decisions on risk management related matters in the course of operation and authorization on risk undertaking in various business lines. Chief Risk Officer of the Company is responsible for leading the overall risk management of the Company.

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

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

3. Market risk

Market risk refers to the risk of asset loss of the Company resulting from fluctuations in risk factors, including stock prices, interest rates, exchange rates and commodities.

During the Reporting Period, the Company took many measures to guard against market risks. The Company has improved the top-down risk indicators and limit management system, and optimized the whole process management mechanism for the identification, measurement, monitoring, response and reporting of market risk. In response to external market emergencies, the Company established a mark-to-market early warning and reporting mechanism, measured the main risk factors through special stress tests to ensure that the overall risks of the Company are under control. In respect of equity investment, for investment in individual shares, the Company persisted in the value and diversification-based investment idea, so as to deal with risk events of individual shares with a comprehensive stop-loss mechanism. For quantitative and derivative businesses, the Company stuck to the principle idea of "hedging for risk control" to strictly control business exposure. In respect of fixed-income securities investment, the Company used derivatives of various interest rates to control the interest rate sensitivity of bond portfolios and control their duration and base point value at a reasonable level to reduce the volatility of their market value.

Value at Risk (VAR) of Market of the Company (statistical caliber of parent company)

Currency: RMB

Forward-looking Period: 1 day; Confidence: 95%; Historical Analogical Method; Unit (in RMB Ten Thousand Yuan)		
	As at the end of 2018 Interim Period	As at the end of 2017 Interim Period
Stock Price Sensitive Financial Instruments	17,456	9,461
Interest-sensitive Financial Instruments	2,221	2,621
The Company as a whole	15,641	8,630

Explanation: Statistical caliber of the parent company Source: Internal statistics of the Company

4. Credit risk

Credit risk refers to the risk of asset loss of the Company resulting from the default of a product or bond issuer or counterparty (client).

During the Reporting Period, the Company carried out the deep coverage of credit risk management system for different credit risks of various credit businesses, and intensified targeted credit risk management measures. In terms of credit risk management system, the Company established and continuously improved the unified management system for counterparties, the dissolving and disposal management system for credit risk assets and the system for client's bad credit behavior. The Company improved and systematically implemented centralized management for information of the same client (including related parties) and the measurement of quantitative credit risk indicators, and strengthened such aspects as the credit risk management boundaries and the depth

and efficiency of management. For different types of credit business, the Company strengthened the targeted management measures for the sources and characteristics of credit risk. For the financing business, the Company strengthened the counter-cyclical management mechanism of risk control measures, prioritized the identification of key risks, and enhanced the analysis and response and disposal management for major risk points. For the investment business, the Company promoted the perfection and systematic construction of the internal rating system of bonds. For the trading business, the Company established and improved a unified management system for counterparties, and conducted systematical regulations on the classification, credit, and monitoring of counterparties at the group level, and strengthened the management of counterparty credit risk. For collateral settlement business, the Company continued to strengthen the eligibility management of investors and enhanced the coverage of the risk monitoring system for such credit risk.

5. Liquidity risk

Liquidity risk refers to the risk of the Company not being able to obtain sufficient funds at a reasonable cost in time to meet due debts, perform other payment obligations and meet the capital requirements of normal businesses.

During the Reporting Period, the Company constantly improved the capital planning system, strengthened capital management, and ensured daytime liquidity; with due prudence, the Company set up a cash flow analysis framework and monitored the framework every day through the information technology system to improve the frequency and accuracy of liquidity risk monitoring; the Company analyzed its cash flow and liquidity indicators under stressful scenarios, evaluated the Company's ability to bear liquidity risk, analyzed the stress test results, and continuously raised the pressure resistance capacity of the Company's liquidity risk; the Company, according to the risk appetite, established right-sized liquidity assets reserves and maintained sufficient liquidity assets with high quality to ensure the satisfaction of liquidity needs under stressful scenarios in a timely manner. The Company improved the liquidity risk reporting system to ensure that the management can in a timely manner understand the status and corresponding managerial measures of the liquidity risk. During the Reporting Period, the Company's liquidity coverage ratio (LCR) and net stable funding rate (NSFR) continued to meet regulatory requirements and appeared safe and sound.

6. Operational risk

The operational risk refers to the risk on the Company's losses caused by inadequate or problematic internal procedures, staff, system or external events.

During the Reporting Period, the Company continued to promote the effective operation of the entire process of operational risk identification, assessment, monitoring, response and reporting, with the system as the foundation, the mechanism and process control as the core, the system control as the pillar and three management instruments as the support; increased the publicity of the operation risk management culture of the subsidiaries, and promoted subsidiaries to establish a sound management structure for internal operation risks and formulate an operational risk management system; analyzed the business lines to establish risk point database of the Group, improving the accuracy of identification and assessment of line operation risk; established in-process monitoring indicators through data mining, cross-system comparison and verification and other methods, and improved the ability to identify the failure of front-end control measures and to warn of changes in risk trends; strengthened the analysis of lessons from external events for the same business line within the Group on the basis of sharing external event library groups, and evaluated and improved the existing response mechanisms; ensured the effective operation of the new business risk assessment mechanism, emphasized the risk identification prior to the operation of new business, and ensured that the new business is fully evaluated prior to going online; and implemented the pilot on business continuity management, clarified standards for the business impact analysis and risk analysis, and formed transferable and replicable implementation methodologies for business continuity management.

7. Compliance risk

Compliance risk refers to exposure to property loss or business reputation loss as a result of bearing legal responsibility, supervisory measures or disciplinary sanctions imposed on securities companies due to violation of laws, rules and standards by operational management or professional conduct performed by securities companies or their employees.

During the Reporting Period, the Company continuously optimized compliance management system in respect of system construction, compliance staffing, group-based compliance management and control, performance guarantee and specific working mechanisms and effectively promoted full coverage of compliance management; improved compliance management mechanism of the Group, continuously promoted reporting mechanism of information on compliance management and compliance officer joint meeting mechanism of subsidiaries, and strengthened compliance communication and control among group members; continuously improved business compliance management mechanism, and enhanced the control and support for main businesses through compliance assessment, process analysis, provision of tips and supervision and meeting attendance, etc.; further improved the compliance training system and enriched training forms, striving to infuse business personnel with regulatory requirements and compliance consciousness and urging the business department to complete the self-regulation as early as possible; carefully carried out compliance audit, timely pointed out compliance issues or defects and proposed regulation suggestions to promote the compliance operation of related business or products; intensified compliance inspections, proposed regulation suggestions in response to identified problems, and tracked the implementation of rectifications.

8. Information technology risk

Information technology risk mainly refers to the risk due to abnormal operation of a company's information system or data damage or leakage caused by various internal and external reasons, making information system unable to continuously facilitate stable, efficient and safe transactions and business management in aspects of business realization, response speed, handling capacity, data encryption, etc., thus bringing certain loss to the Company.

All businesses and middle and back office management of the Company are highly dependent on the information technology system, so the information system has become a key assurance to support the operation of businesses of the Company. During the Reporting Period, the Company strengthened the response to information technology risk events and further enhanced the information technology risk management. At the same time, the Company continuously increased investment in information technology, gradually established a professional information technology services management system oriented to business lines, further improved the information system construction and safety management, ensured the security, reliability and stability of the information system that supports the operation and management of the Company and effectively prevented risks related to information technology.

9. Reputational risk

Reputational risk refers to exposure to negative assessments from relevant media regarding the Company's operation, management and other conducts or external events.

During the Reporting Period, the Company carried out appropriate and effective reputation risk management and continued to maintain smooth communication with media, so the overall public opinion was stable. The Company continued to improve its reputation risk management system, refined work process, and strengthened group-based reputation risk management. At the same time, in response to the problems experienced in the actual work, the Company enhanced normalized management that raised the efficiency of reputational risk response.



Major Events

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

General meetings are as follows:

Session	Convening date	Query index for the designated website for publishing resolution	Date of disclosure for publishing resolution
2017 Shareholders' Annual General Meeting	June 13, 2018	http://www.sse.com.cn http://www.hkexnews.hk http://www.htsc.com.cn	June 14, 2018

Meetings of the Board are as follows:

Session	Convening date	Meeting form	Resolutions
The Eleventh Meeting of the Fourth Session of the Board	March 12, 2018	By means of teleconference.	1. Consider the Proposal on Election of Mr. Chen Zhibin as an Independent Non-executive Director of the Fourth Session of the Board; 2. Consider the Proposal on Adjustment of Members of the Audit Committee of the Fourth Session of the Board of the Company.

Session	Convening date	Meeting form	Resolutions
The Twelfth Meeting of the Fourth Session of the Board	March 28, 2018	By means of on-site meeting. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No.228, Middle Jiangdong Road, Nanjing.	<ol style="list-style-type: none"> 1. Consider the Work Report of the President of the Company for 2017; 2. Consider the Final Account Report of the Company for 2017; 3. Consider the Financial Budget Report of the Company for 2018; 4. Consider the Proposal on Profit Distribution of the Company in 2017; 5. Consider the Work Report of the Board for 2017; 6. Consider the Resolution on the Annual Report of the Company for 2017; 7. Consider the Resolution on the Annual Compliance Report of the Company for 2017; 8. Annual Consider the Resolution on the Risk Management Report of the Company for 2017; 9. Consider the Resolution on the Internal Control Assessment Report of the Company for 2017; 10. Consider the Resolution on the Social Responsibility Report of the Company For 2017; 11. Consider the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2018; 12. Consider the Proposal on the Anticipation of the Amount of the Company's Investment for 2018; 13. Consider the Resolution on Re-appointment of the Accounting Firm for the Company; 14. Consider the Resolution on Change of Accounting Policies and Amendments to the Accounting System of HTSC; 15. Consider the Resolution on Formulation of the Measures for Investment Management of HTSC; 16. Consider the Resolution on Formulation of the Measures for the Management of Donations by HTSC; 17. Consider the Resolution on Amendments to the Measures for the Management of System Construction of HTSC; 18. Consider the Resolution on Amendments to the Measures for the Management of Appraisal and Remuneration of Senior Management of HTSC; 19. Consider the Resolution on Amendments to the Regulations on the Management of Transactions with Related Parties of HTSC; 20. Consider the Resolution on Amendments to the Articles of Association of HTSC; 21. Consider the Report on the Performance Assessment and Remuneration of Directors of the Company for 2017; 22. Consider the Report on Execution of Duty, Performance Assessment and Remuneration of the Senior Executives of the Company for 2017; 23. Consider the Resolution on Convening the General Meeting of the Company for 2017; 24. Listen to the Work Report of Independent Directors of the Company for 2017; 25. Listen to the Report on the Performance of Duties of the Audit Committee of the Board for 2017; 26. Listen to the Work Report of the Compliance Director of the Company for 2017; 27. Review the Report on Execution of the Net Capital and Risk Control Indicators of the Company for 2017.
The Thirteenth Meeting of the Fourth Session of the Board	April 26, 2018	By means of on-site & video meetings. Address: Large Conference Room, Floor 12, Building 1, Huatai Securities Square, No.228, Middle Jiangdong Road, Nanjing.	Consider the Resolution on the First Quarterly Report of the Company for 2018.

Session	Convening date	Meeting form	Resolutions
The Fourteenth Meeting of the Fourth Session of the Board	May 21, 2018	By means of teleconference.	<ol style="list-style-type: none"> 1. Consider the Resolution on Proposing to Grant General Mandate to the Board to issue Shares at the General Meeting; 2. Consider the Resolution on Extension of the Validity Period of Resolution of the General Meeting on the Non-Public Issuance of A Shares; 3. Consider the Resolution on Extension of the Validity Period of Authorization for the Board and Its Authorized Persons to Handle Relevant Matters of the Non-Public Issuance of A Shares by the General Meeting; 4. Consider the Resolution on 13th Five-Year Development Strategy Planning of HTSC (Revised) and HTSC Three-Year Action Plan on Leading China in High Quality Development and Creating a First-Class Enterprise; 5. Consider the Resolution on Grant of General Mandate on Donations in 2018.
The Fifteenth Meeting of the Fourth Session of the Board	June 27, 2018	By means of teleconference.	Consider the Resolution on Adjustment of Internal Organization of the Company.

Meetings of the Supervisory committee are as follows:

Session	Convening date	Meeting form	Resolutions
The Sixth Meeting of the Fourth Session of the Supervisory Committee	March 28, 2018	By means of on-site meeting. Address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No.228, Middle Jiangdong Road, Nanjing.	<ol style="list-style-type: none"> 1. Consider the Work Report of the Supervisory Committee of the Company for 2017; 2. Consider the Proposal on Profit Distribution of the Company in 2017; 3. Consider the Resolution on the Annual Report of the Company for 2017; 4. Consider the Resolution on the Internal Control Assessment Report of the Company for 2017; 5. Consider the Resolution on Change of Accounting Policies and Amendments to the Accounting System of HTSC; 6. Consider the Report concerning Performance Assessment and Remuneration of the Supervisors in 2017; 7. Listen to Report on Internal Audit of the Company in 2017; 8. Listen to Work Plan on Internal Audit of the Company in 2018.
The Seventh Meeting of the Fourth Session of the Supervisory Committee	April 26, 2018	By means of on-site meeting. Address: Small Conference Room, Floor 12, Building 1, Huatai Securities Square, No.228, Middle Jiangdong Road, Nanjing.	Consider the Resolution on the First Quarterly Report of the Company for 2018.

II. PROPOSAL OF PROFIT DISTRIBUTION OR CONVERSION FROM CAPITAL RESERVES

(I) Proposal of profit distribution or conversion of reserves to share capital for the first half of the year

Whether to distribute or converse or not	Yes
Number of dividend shares per 10 shares (share)	—
Dividends per 10 shares (RMB yuan) (tax inclusive)	3.00
Number of increased shares per 10 shares (share)	—

Description of proposal of profit distribution or conversion from capital reserves

According to the 2018 interim financial statements of the Company, the undistributed profit of the parent company as of the end of June 2018 was RMB16,418,500,270.46. According to the relevant requirements of the Company Law, the Securities Law, the Financial Rules for Financial Enterprises (《金融企業財務規則》) and the Articles of Association of the Company, the undistributed profit of the parent company can only be distributed after deducting 10% statutory surplus reserve, 10% general risk reserve and 10% trading risk reserve, that of RMB963,082,554.28 for January-June 2018 in total, after which, the accumulated profit of the parent company available for distribution to investors as of the end of June 2018 was RMB15,455,417,716.18.

According to the relevant requirements of the CSRC, gains arising from the fair value changes in distributable profit of securities companies may not be used for cash distribution to shareholders. As of the end of June 2018, the accumulated gains arising from the fair value changes in distributable profit of the parent company was RMB509,972,315.84. After the deduction, the distributable profit of the parent company available for distribution to investors in cash was RMB14,945,445,400.34.

The Company has completed the Non-Public Issuance of A Shares. Therefore, after comprehensive consideration of factors such as the interests of Shareholders and the development of the Company, it is recommended that the 2018 interim profits be distributed as follows:

1. The Company will distribute cash dividend of RMB3.00 per 10 shares based on the Company's total share capital of 8,251,500,000 shares, with the total cash dividend of RMB2,475,450,000.00. The undistributed profit available for distribution to investors of RMB12,469,995,400.34 will be carried forward to the next year.
2. Cash dividend is denominated and declared in RMB and paid to holders of A shares in RMB and to holders of H shares in HKD. The actual distribution amount in HKD would be calculated at the rate of average basic exchange rate of RMB against HKD issued by the People's Bank of China for five business days prior to the date of Extraordinary General Meeting of 2018 in which this proposal shall be reviewed.

III. PERFORMANCE OF UNDERTAKINGS

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

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

IV. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

As approved at the 2017 Shareholders' annual general meeting of the Company, the Company reappointed KPMG Huazhen LLP to audit the accounting statements and conduct internal control of the Company and its holding subsidiaries for 2018 and to issue audit reports on A shares and internal control; approved the appointment of KPMG as the auditor for the H shares of the Company to issue audit reports on H shares. The auditing fee is not more than RMB5 million in aggregate.

V. BANKRUPTCY AND RESTRUCTURING

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

VI. MATERIAL LITIGATION AND ARBITRATION

The Company had no material litigation and arbitration during the Reporting Period.

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

Summary and type of event	Query indexes
Debt disputes between Huatai United Securities, Stone Group (四通集團) and Stone Group Financial Company (四通集團財務公司)	Could be retrieved in the annual reports for the Year 2011 to 2017
Debt disputes between Huatai United Securities and Beijing Huazi Syndicated Group	Could be retrieved in the annual reports for the Year 2011 to 2017
Objection to enforcement for the deposit receipts under pledge raised by Huatai Securities as the manager of "Jinling No. 6 Targeted Assets Management Plan of Huatai Securities"	Could be retrieved in the annual reports for the Year 2016 to 2017
A considerable overloss in futures account of Zhang Xiaodong, a client of Huatai Futures	Could be retrieved in the annual reports for the Year 2013 to 2017

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

During the Reporting Period, there were no new material litigation and arbitration:

Unit: Yuan Currency: RMB

Plaintiff (claimant)	Defendant (respondent)	Joint liability party	Type of litigation or arbitration	Basic status of litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) forms estimated liabilities and amount or not	Progress of litigation (arbitration)	Award and effect of litigation (arbitration)	Enforcement of judgment of litigation (arbitration)
(Entrust) Chengdu Branch of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司成都分行)	Sichuan Shengda Group Limited (四川聖達集團有限公司)		Debt dispute	Refer to notes	67,583,733	No	Refer to notes	Refer to notes	Refer to notes
Huatai United Securities	China Nuclear Energy Industry Corporation (中國原子能工業有限公司)		Contract dispute	Refer to notes	13,140,200	No	Closed	Refer to notes	Refer to notes
Xiamen Bank Company Limited (廈門銀行股份有限公司)	Shenzhen Branch of Bank of Ningbo Co., Limited (寧波銀行股份有限公司深圳分行)		Bill dispute	Refer to notes	—	No	Refer to notes	Refer to notes	Refer to notes

1. Debt dispute between Huatai Securities and Sichuan Shengda Group Co., Ltd. (四川聖達集團有限公司): The interest of corporate bond of Sichuan Shengda Group Co., Ltd. of 2012 ("12 Shengda bond" (12 聖達債)), bond code: 1280443) was not able to be paid to Huatai Securities in full and the principal amount of the bond was not able to be paid for redemption in full upon maturity. Huatai Securities and other creditors jointly entrusted the Chengdu branch of the Bank of Tianjin Co., Ltd. to raise litigation at Sichuan Higher People's Court on June 7, 2016 according to the decision made in the meeting of bondholders, requesting Sichuan Shengda Group Co., Ltd. to repay the principal amounts and interests. The total principal amount was RMB300 million based on the coupon rate of 7.25% calculated from December 6, 2014 till the date of repayment, and the penalty interest was calculated based on the annual interest rate of 3.625% from December 6, 2015 till the date of repayment (of which RMB50 million was attributable to Huatai Securities). As of June 30, 2018, the principal, interest and interest penalty receivable by Huatai Securities from Sichuan Shengda Group Co., Ltd. were RMB50 million, RMB12,930,800 and RMB4,652,900, respectively. The case is closed through mediation. Sichuan Shengda Group Co., Ltd (四川聖達集團有限公司) has agreed to pay the money above, confirming that Bank of Tianjin Co., Ltd. Chengdu Branch is entitled to the priority of claim for the money from disposal of the pledge and that relevant personnel are jointly responsible for liquidation. At present, the Intermediate People's Court in Leshan City, Sichuan

Province, is disposing the pledge.

2. China Nuclear Energy Industry Corporation (中國原子能工業有限公司) (hereinafter referred to as "Nuclear Energy Corp") brought legal proceedings regarding to a deposit receipts dispute against China Huacheng Group Financial Co., Ltd. (中國華誠集團財務有限責任公司) (hereinafter referred to as "Huacheng Group") and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司) (hereinafter referred to as "Huacheng Investment"). No. 2 Intermediate Court in Beijing (hereinafter referred to as "No. 2 Intermediate Court") issued a civil verdict (1998) Er Zhong Jing Chu Zi No. 1218 (二中經初字 1218 号) on February 10, 1999. After the verdict came into effect, Nuclear Energy Corp applied to the No. 2 Intermediate Court for verdict enforcement on July 12, 1999. The No. 2 Intermediate Court, according to law, impounded the shares of United Securities Co., Ltd. (hereinafter referred to as "United Securities") held by Huacheng Investment. After that, Nuclear Energy Corp acquired 36.60 million shares of United Securities held by Huacheng Investment through auction. United Securities considered the contribution of RMB14.98 million at the beginning of the investment in United Securities by Huacheng Investment as overstated (deduction enforced by the court), and therefore filed a writ and raised an objection to enforcement to the Higher People's Court in Beijing and the Supreme People's Court. The No. 2 Intermediate Court and Nuclear Energy Corp finally deducted the 13.48 million shares of United Securities (equivalent to RMB14.98 million) from the 36.60 million shares of United Securities acquired through auction by Nuclear Energy Corp, and the remaining equity of 23.12 million shares were transferred to Nuclear Energy Corp. However, the aforesaid 13.48 million shares were requested to continue to be frozen under the name of Nuclear Energy Corp by the No. 2 Intermediate Court.

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

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

On December 23, 2014, the People's Court in Xicheng District of Beijing accepted the case regarding contract dispute between Huatai United Securities and Nuclear Energy Corp. On June 28, 2016, People's court in Xicheng District of Beijing issued a civil verdict (2015) Xi Min (Shang) Chu Zi No. 1048 (北京市西城區人民法院出(2015)西民(商)初字第1048號), and Huatai United Securities obtained the judgment in its favor. The court judged that the defendant should continue to perform the Entrusted Equity Agreement (股權代持協議) and the Entrusted Equity Listing Transfer Agreement (代持股權掛牌轉讓協議), and complete the equity transfer of the 2 million equity shares within 30 days commencing on the effective date of the judgment, as well as pay the proceeds from the equity transfer to Huatai United Securities. Nuclear Energy Corp appealed against the judgment. On October 25, 2016, Beijing No. 2 Intermediate People's Court issued a civil verdict (2016) Jing 02 Min Zhong No. 7351(北京市第二中級人民法院做出(2016)京02民終7351號), rejecting the appeal of Nuclear Energy Corp and sustained the original judgment. Nuclear Energy Corp made a retrial application. On April 27, 2017, Higher People's Court of Beijing Municipality issued a civil order (2017) Jing Min Shen No. 871(北京市高級人民法院做出(2017)京民申871號), rejecting the retrial application of Nuclear Energy Corp. On January 18, 2018, the 0.2% equity (2 million shares) of the Company held by Nuclear Energy Corp was sold in a judicial sale on the Beijing Property Exchange and Huatai Securities acquired such equity with an amount of RMB13,140,200.00. As of March 2018, related matters such as equity evaluation, equity auction and the change of industrial and commercial registration were completed, and the case was closed.

3. Huatai Asset Management's participation in lawsuit concerning bill contract dispute as a third party: As a manager of No. 1 Targeted Assets Management Plan of Bank of Huafu Xiamen (華福廈門銀行), Huatai Asset Management made investments according to the consignor's instructions. Under the Targeted Management Plan, Huatai Asset Management conducted two transactions of transfer and repurchase of usufruct over commercial acceptance bills with its counterparty Shenzhen Branch of Bank of Ningbo Co., Limited ("Shenzhen Branch of Bank of Ningbo"). According to the relevant transaction contract, the two transactions were started on January 26, 2016 ("1st transaction") and May 13, 2016 ("2nd transaction"), respectively.

As of the end of the Reporting Period, the two transactions have become due according to the relevant transaction contract. By par value, a total of RMB944 million was not paid (including RMB444 million not paid for the 1st transaction and RMB500 million not paid for the 2nd transaction).

Xiamen Bank filed a lawsuit to the High People's Court in Fujian Province on October 17, 2016 and March 6, 2017, respectively, and listed Huatai Asset Management as a third person in the case. On March 13, 2018, the High People's Court in Fujian Province heard the case on the above two transactions in combination. As of June 30, 2018, the High People's Court in Fujian Province has not yet announced the verdict of this case.

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

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

1. On January 11, 2018, People's Bank of China Hangzhou Center Sub-branch issued the Determination on Administrative Penalty (Hang Yin Chu Fa Zi No. [2018] 7) (《行政處罰決定書》(杭銀處罰字[2018]7號)) to Zhejiang Branch of the Company, the Determination on Administrative Penalty (Hang Yin Chu Fa Zi No. [2018] 5) (《行政處罰決定書》(杭銀處罰字[2018]5號)) to Lu Chunfu, staff of Zhejiang Branch of the Company, the Determination on Administrative Penalty (Hang Yin Chu Fa Zi No. [2018] 6) (《行政處罰決定書》(杭銀處罰字[2018]6號)) to Peng Hanqi, General Manager of Securities Branch in Jiefang East Road, Hangzhou, and the Determination on Administrative Penalty (Hang Yin Chu Fa Zi No. [2018] 8) (《行政處罰決定書》(杭銀處罰字[2018]8號)) to Yang Desheng, General Manager of Securities Branch in Qiushi Road, Hangzhou. The primary content was that Zhejiang Branch of the Company did not perform the obligation of client identification by rule and not submit unusual transaction report by rule, and according to Article 32 of the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), Zhejiang Branch of the Company was fined by RMB450,000; Lu Chunfu, staff of Zhejiang Branch of the Company, by RMB10,000; Peng Hanqi, General Manager of Securities Branch in Jiefang East Road, Hangzhou, by RMB10,000; and Yang Desheng, General Manager of Securities Branch in Qiushi Road, Hangzhou, by RMB20,000.

The Company has paid extra attention, formulated corrective plan to guide Zhejiang Branch to actively complete the rectification, and comprehensively improved customer identity information. The Company has implemented the requirement for client identification, further enhanced the risk classification on anti-money laundering and the monitoring of unusual transactions, and submitted the rectification and corrective report to People's Bank of China, Hangzhou Center Sub-branch in a timely manner.

2. On February 13, 2018, Shanghai Securities Regulatory Bureau issued the Determination on Issuing a Warning Letter to Huatai Securities (Shanghai) Asset Management Co., Ltd. (Hu Zheng Jian Jue No. [2018] 15) (關於對華泰證券(上海)資產管理有限公司採取出具警示函措施的決定)(滬證監決[2018]15號), the primary content being: "I. Failure to properly exercise management on the suitability of investors, and there were issues such as the incompleteness in filling risk assessment questionnaires and inconsistencies in information of some customers. II. There were defects in the investment and trading system, as well as issues such as weak management of counterparties, lack of full coverage of bond credit rating management, irregularities of inquiry management, and inadequate management of unusual transactions." The abovementioned behaviors violated Paragraph 2, Article 3 of Measures for the Administration of the Customer Asset Management Business of Securities Companies (Order No. 93 of the CSRC) (《證券公司客戶資產管理業務管理辦法》)(證監會第93號令), Paragraph 1, Article 16 of Detailed Rules for the Implementation of the Collective Asset Management Business of Securities Companies (Announcement No. [2013] 28 of the CSRC) (《證券公司集合資產管理業務實施細則》)(證監會公告[2013]28號), and Paragraph 1, Article 36 of Detailed Rules for the Targeted Asset Management Business of Securities Companies (Announcement No. [2012] 30 of the CSRC) (《證券公司定向資產管理業務實施細則》)(證監會公告[2012]30號). According to Article 57 of Measures for the Administration of the Customer Asset Management Business of Securities Companies (Order No. 93 of the CSRC) (《證券公司客戶資產管理業務管理辦法》)(證監會第93號令), we have decided to issue a warning to your Company. You should make rectifications as per requirements of relevant laws, administrative regulations and CSRC, further sort out relevant procedures and strengthen relevant persons' awareness of compliance with laws and regulations. You shall submit a written report on the implementation of the rectifications to the Bureau before March 20, 2018. We will keep paying attention to and inspecting your rectification during daily supervision."

Regarding the issues stated in Hu Zheng Jian Jue No. [2018] 15 (滬證監決[2018]15號), Huatai Asset Management has completed rectification measures, specifically:

(1) The Company conducted a comprehensive investigation of the products and strictly implemented the requirements of Measures for the Eligibility Management of Securities and Futures Investors (《證券期貨投資者適當性管理辦法》): 1) organized the sales personnel to contact customers and correct the issues found in investigation. 2) established the review mechanism of customer service post, and set up the full-time customer service post for direct customers, which is responsible for the final review of customer materials as well as their registration, sorting and filing, so as to further strengthen the management of customer data.

(2) The Company conducted grading management and trading volume management of the counterparty library, in order to strengthen the penetration management of counterparty; clarified the requirements for reverse repurchase of pledged bonds and discount to control risks, which achieved full coverage of bond investment research; strengthened the separation of investment transaction, and followed the principle of optimal price in transaction; and developed more complete and strict limit indicators for unusual transactions.

3. On April 23, 2018, Heilongjiang Securities Regulatory Bureau issued the Determination on Issuing a Warning Letter to Huatai United Securities Co., Ltd. (No. [2018] 6) (《關於對華泰聯合證券有限責任公司採取出具警示函措施的決定》([2018]6號)), the primary content being: "I. The due diligence on Bright Oceans Corporation (億陽集團), its actual controller and other relevant entities was imperfect, and there were incompleteness and omissions on the verification of part-time status and foreign investment of relevant personnel. The due diligence on the corporate governance and credit status of Bright Oceans Corporation was insufficient, and there was incompleteness in issues such as litigation, equity transfer, related-party in transaction and debt information. II. There was incompleteness in the due diligence draft. The draft was short of the statement of independencies of Huatai Securities and the industrial and commercial archives of subsidiaries such as Bright Oceans Enterprises Limited (Hong Kong) (香港億陽實業有限公司). The abovementioned behaviors violated Article 7 of Measures for the Issue and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》). According to Article 58 of Measures for the Issue and Trading of Corporate Bonds, you are reminded to strictly comply with the regulatory laws and regulations, practice codes and other regulatory rules on corporate bonds, continuously enhance your business systems of corporate bonds, and make efforts to improve the quality of due diligence on corporate bonds, so as to effectively protect the legitimate rights and interests of bondholders. You shall submit a written report to the Bureau before May 4, 2018. We will arrange an inspection and acceptance."

Regarding (No. [2018] 6), Huatai United Securities has taken the following rectification measures: (1) established a special leading group and special working group led by the leadership of the Company to conduct special research and communication on the corporate debt case of Bright Oceans Corporation, and organized rectification and formed the Rectification Report of Huatai United Securities Regarding the Warning Letter. (2) continuously carry out thorough analysis at least twice every year for existing bonds listed or registered on the exchange and underwritten by the Company; conduct credit risk investigation and analysis for projects mainly underwritten by the Company that designate the Company or non-securities institutions as the trustee or designate no trustee; classify the risks of corporate bonds; and timely deal with projects that have or may have risks. (3) continuously improve the Company's business systems of corporate bonds. (4) continuously enhance the learning and training of investment-banking staff on the regulatory laws and regulations, practice codes and other regulatory rules on corporate bonds, strengthen risk warning and education, and hold training sessions for bond business lines. (5) further strengthen the Company's control and management of compliance risks from its governance structure. (6) seriously deal with the risks of corporate bonds of Bright Oceans Corporation, and actively protect the rights and interests of bondholders.

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

During the Reporting Period, none of the Directors, Supervisors, senior management, Shareholders holding over 5% of equity interest or de facto controllers of the Company was investigated by competent authorities, imposed with coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, banned from accessing to market, identified as an unsuitable person, punished by other administrative departments or publicly condemned by a stock exchange.

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

VIII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS IN THE REPORTING PERIOD

During the Reporting Period, the Company and its de facto controllers maintained excellent integrity and there were no such cases as non-performance of effective court judgment or overdue of relative large liability.

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

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

AssetMark Holdings, LLC, a holding subsidiary of the Company, granted a share-based compensation to all senior management of its subsidiary, AssetMark Financial Holdings, Inc. on November 1, 2016. The share-based compensation is profit incentive share-based payment calculated based on the Class C ordinary shares of AssetMark Holdings, LLC. The vesting conditions consist of service time and performance conditions. The options will vest in 3 years since the grant date and are exercisable with a period of 4 to 8 years. For details of the implementation, please refer to "Section IX Financial Report" "XV. Share-based payments" in this report.

X. MATERIAL CONNECTED TRANSACTION

Details on the connected transactions under the relevant accounting standards can be found in note 51 to the consolidated financial statements. The Company confirmed that the related-party transactions were not categorised in the connected transactions or the continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules (as the case may be), and were in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Custody, Contracting and Lease

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

(II) Guarantees

Unit and Currency: RMB100 million

External guarantees of the Company (excluding guarantee to subsidiaries)													
Guarantors	Relationship between guarantors and the Company	Guaranteed parties	Amount guaranteed	Date of guarantee (Date of agreement signed)	The starting date of guarantee	Expiry date of guarantee	Types of guarantee	Whether the guarantee has been duly performed or not	Whether the guarantee is past due or not	Amount guaranteed past due	Whether counter-guarantee existed or not	Whether to be guaranteed for related parties	Related relationship
Huatai Securities (counter guarantee)	Headquarter of the Company	Bank of China (providing guarantee for the wholly-owned subsidiaries of the Company, and is the guaranteed party of the counter guarantee)	30	September 24, 2014	September 24, 2014	May 7, 2020	Guarantee for joint and several liabilities	No	No	-	Yes	No	
Total amount of guarantees during the Reporting Period (excluding the guarantees for subsidiaries)													-
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees for subsidiaries)													30
Guarantees of the Company for its subsidiaries													
Total amount of guarantees for subsidiaries during the Reporting Period													-
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)													62
Total guarantee amount of the Company (including the guarantees for subsidiaries)													92
Total guarantee amount (A+B)													
Percentage of the total guarantee amount to net assets of the Company (%)													10.20
Among which:													
Amount of the guarantees provided for shareholders, actual controllers and their associated parties (C)													-
Amount of the debt guarantees provided directly or indirectly for the guaranteed													-
Objects with an asset-liability ratio of more than 70% (D)													
Amount of the guarantees with the guarantee amount of over 50% of net assets (E)													-
Total amount of the three guarantees mentioned above (C + D + E)													-
Undue guarantees with joint and several liabilities													No

Conditions of guarantees

1. Huatai International Finance I Limited under Huatai Financial Holdings (Hong Kong) completed the first foreign bond issuance on October 8, 2014. In order to enhance the debt service guarantee for the first foreign bonds and reduce the issuing rate, the authorized person of the Company authorized at the Company's Annual Shareholders' General Meeting for 2013, determined to have the Bank of China Macao Branch provide a guarantee for the first foreign bonds with a standby L/C. At the same time, according to the resolution of the 9th meeting of the third session of the Board, the Company issued a Letter of Counter Guarantee to the Bank of China with regard to the standby L/C opened for the first foreign bonds issued by the Company. The amount of the counter guarantee did not exceed the principal, interest and other relevant expenses of the bonds, totaling US Dollars equivalent RMB3 billion. It was a guarantee with joint and several liability. And the guarantee period would last until 6 months after the expiration of the standby L/C.

2. In January 2015, Huatai Asset Management was officially founded. With the steady development of asset management business and rapid expansion of size of assets under management, in order to ensure that the risk control indicators of Huatai Asset Management remain in conformity with the regulatory requirements, the Company deliberated and adopted relevant proposals at the shareholders' general meeting on March 30, 2015 and September 13, 2016 respectively, after which the Company was approved to provide a net capital guarantee with the maximum amount of RMB1.2 billion and RMB5 billion for Huatai Asset Management and promised that it would provide cash within the said limit unconditionally when Huatai Asset Management requires such cash for its business development.

3. In 2017, as approved and passed at the fifth meeting of the fourth session of the Board and the 2016 annual general meeting of the Company, the Company provided a maximum of RMB1.9 billion net capital guarantee to its wholly-owned subsidiary Huatai Asset Management. The RMB1.9 billion net capital guarantee has not been utilized during the Reporting Period.

(III) Other Material Contracts

Currency: RMB

Name of contract	Contracting parties	Date of signing	Price for transaction	Performance
General construction contract for Huatai Securities Square	HTSC and China Jiangsu International Economic and Technological Cooperation Group Ltd. (中國江蘇國際經濟技術合作公司)	July 30, 2010	RMB1,132,851,800	In July 2010, the Company and China Jiangsu International Economic and Technological Cooperation Group Ltd. entered into the General Construction Contract for Huatai Securities Square. During the Reporting Period, the contract was duly performed and the Company paid RMB105,967,200 under the general construction contract and main sub-contracts thereof. By the end of the Reporting Period, the Company has paid RMB880,272,700 in total under the general construction contract.
Construction contract for smart facilities at Huatai Securities Square	HTSC and Shanghai Haode Tech Co., Ltd. (上海浩德科技股份有限公司)	March 6, 2012	RMB213,000,000	In March 2012, the Company and Shanghai Haode Tech Co., Ltd. entered into the Construction Contract for Smart Facilities at Huatai Securities Square at the total contract price of RMB198,899,700. A supplementary agreement was signed on February 15, 2016 and the total contract price was changed to RMB213,000,000. During the Reporting Period, the contract was duly performed and the Company paid RMB13,659,800 under the construction contract for smart facilities. By the end of the Reporting Period, the Company has paid RMB194,442,500 in total under the construction contract for smart facilities.
Construction contract for interior decoration of the second bid section of Huatai Securities Square	HTSC and Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司)	May 21, 2013	RMB141,060,400	On May 21, 2013, the Company and Zhejiang Yasha Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Second Bid Section of Huatai Securities Square at the price of RMB117,584,500. A supplementary agreement was signed on July 14, 2016 and the contract price was changed to RMB122,000,000. In December 2017, the amount recognized in settlement audit by Jiangsu SuyaJincheng Construction Management Consultation Co., Ltd. was RMB141,060,400. During the Reporting Period, the contract was duly performed and the Company paid RMB26,376,800 under the construction contract for interior decoration of the second bid section. By the end of the Reporting Period, the Company has paid RMB130,009,900 in total under the construction contract for interior decoration of the second bid section.
Construction contract for interior decoration of the first bid section of Huatai Securities Square	HTSC and China Building Technique Group Co., Ltd. (中國建築集團有限公司)	May 21, 2013	RMB140,028,600	On May 21, 2013, the Company and China Building Technique Group Co., Ltd. entered into the Construction Contract for Interior Decoration of the First Bid Section of Huatai Securities Square at total contract price of RMB78,771,800. Supplementary Agreement (2) was signed on July 9, 2015 to change the total contract price to RMB98,000,000 and Supplementary Agreement (3) was signed on July 14, 2016 to change the total contract price to RMB120,071,300. In December 2017, the amount recognized in settlement audit by Jiangsu SuyaJincheng Construction Management Consultation Co., Ltd. was RMB140,028,600. During the Reporting Period, the contract was duly performed and the Company paid RMB23,108,900 under the construction contract for interior decoration of the first bid section. By the end of the Reporting Period, the Company has paid RMB129,893,900 in total under the construction contract for interior decoration of the first bid section.
Construction contract for interior decoration of the third bid section of Huatai Securities Square	HTSC and Shenzhen Shen Zhuang Zong Decoration Co., Ltd. (深圳市深裝總裝飾工程工業有限公司)	October 2013	RMB135,052,600	In October 2013, the Company and Shenzhen Shen Zhuang Zong Decoration Co., Ltd. entered into the Construction Contract for Interior Decoration of the Third Bid Section of Huatai Securities Square at total contract price of RMB131,586,300. A supplementary agreement was signed on February 3, 2016 and the total contract price added RMB3,466,300 to RMB135,052,600. During the Reporting Period, the contract was duly performed and the Company paid RMB5,817,700 under the construction contract for interior decoration of the third bid section. By the end of the Reporting Period, the Company has paid RMB115,513,300 in total under the construction contract for interior decoration of the third bid section.

XII. POVERTY ALLEVIATION EFFORTS OF LISTED COMPANIES

(1) Targeted Poverty Alleviation Planning

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

4. Protective measures

- (1) Establishing poverty alleviation work stations that offer financial services

Establishing poverty alleviation work stations that offer financial services in poor areas, and establishing a long-term effective system regarding participating in poverty alleviation programs to give assistance to the poor in order to deepen the connection between the Company and the poverty alleviation targets.

- (2) Setting up branches:

Setting up branches in poor areas when conditions are mature, providing information on securities laws and financial knowledge, disseminating rational investment concepts so as to facilitate the healthy development of local capital markets.

- (3) Providing multi-layered capital market poverty alleviation services

- ① Meeting the cultivation and incubation demand of listing guidance in poor counties precisely, recommending eligible quality enterprises to carry out listing and financing proactively, providing assistance for enterprises in county areas on regulatory governance, as well as providing advice and suggestions for enterprises entering the capital market.

- ② Participating proactively in supply-side structural reform in poor counties and providing differentiated financial services to enterprises with different sizes, types and growth stages.

- ③ Carrying out trainings to promote financial knowledge.

- (4) Providing industry poverty alleviation services

- ① Providing support and services for the establishment of industry funds in poor counties, participating and providing guidance actively in the management and operation of funds, providing investment, financing and management consulting services for small and medium sized enterprises in poor counties, facilitating the economic development and industry upgrading of poor counties by broadening their financing channels.

- ② Assisting poor counties to carry out promotional activities to attract enterprises and investments based on the actual industry development conditions of the poor counties.

- (5) Providing poverty alleviation services regarding consumption:

Helping special agricultural products of poor counties to broaden their sales channels by using the China Securities inter-connection business platform on poor alleviation regarding consumption actively in order to increase farmers' income and boost industrial development.

- (6) Providing poverty alleviation services regarding education:

Organizing outstanding internal lecturers to interact with higher vocational institutes of poor counties, in an effort to help foster financial professionals in poor counties and to provide strong support in human resources for the long-term development of poor counties.

- (7) Providing employment and poverty alleviation services:

Under the same condition, employing fresh graduates from poor families in administrative record for poverty registration in poor counties that are given assistance by twining poverty alleviation programs in priority to help solve the employment problem of poor families.

- (8) Providing community services for poverty alleviation:

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

(2) Outline of Targeted Poverty Alleviation during the Reporting Period

In the first half of 2018, the Company served the national strategy on poverty alleviation and strengthened ongoing efforts for poverty alleviation. The specific achievements were as follows:

The Company adhered to the strategy of giving full play to advantages and teaching useful methods, so as to enhance the internal driving force for economic development in poor areas. In the efforts on the "One Company One County" (「一司一縣」) Assistance in Pairs in Jinzhai County, Anhui Province, the Company increased the income of local people through consumption poverty alleviation. The Company helped with the sales of Lu'an guapian (六安瓜片) tea, amounting to RMB504,000; actively promoted the red education resources in Jinzhai County, and organized a special training course for the publicity work of Party committee and a training course for the learning and implementation of the spirit of the 19th National Congress of the CPC in Jinzhai Executive Leadership Academy, and 108 Party members participate these trainings; linked local quality resources such as ganodorma lucidum and dendrobium with the needs of listed companies served by the Company, assisted Jinzhai County to introduce investment, and was actively promoting relevant projects.

Standing in high position with overall plans, the Company made every effort to develop the new round of "Five Parties Linking Together" (「五方掛鉤」) assistance work in Jiangsu Province. In the new round of "Five Parties Linking Together" assistance work in 2018, the Company provided the counterpart-assistance to Xiaolizhai Village, Liangzhai Town, Fengxian County, a village with weak economy designated in Jiangsu Province. At present, the Company has selected one member of poverty alleviation team to stay on site in order to conduct an in-depth investigation on the economic development of Xiaolizhai Village and poor families with established archives and cards, and the assistance projects in 2018-2019 have been initially identified.

The Company made precise and multi-pronged measures to effectively enhance the sense of gains for poor families. The Company paid attention to the production and living conditions of poor families. Prior to the 2018 Spring Festival, senior managers of the Company went to visit 21 poor families with established archives and cards in Jinzhai and 10 needy families in Fengxian County and provide sincere assistance as needed. The Company insisted on carrying out various charitable activities in poor areas. From May 20 to 23, the 2018 "the Commonwealth Heart of Huatai · For Children, For Tomorrow" charity project was initiated at Shuanghe Junior High School, Jinzhai County, Lu'an City, Anhui Province, in order to provide spiritual care, family connection and quality education to local left-behind children. The Company invited employees and compassionate people of all fields to participate in "the Commonwealth Heart of Huatai · Funding Program for Children in Need" through the campaign "Donate Together" on Tencent and make targeted donation to children in need at schools of the "Homes of Our Children" project.

(3) Achievements of Targeted Poverty Alleviation

Unit and Currency: RMB10 thousand

Index	Number and implementation information
① General information	
1.Fund	179.53
② Itemized input	
1.Social poverty alleviation	
1.1 Amount invested in targeted poverty alleviation	127.62
1.2 Public funds for poverty alleviation	51.91
③ Awards (content and level)	
1. Jiangsu Provincial Advanced Unit for "Five Parties Linking Together" Assistance Work in 2016-2017	
2. 2017 China Social Responsibility Award for Corporate Excellence	

(4) Follow-up Targeted Poverty Alleviation Plan

The Company will take pragmatic and effective measures based on the need of poor areas to help poor counties overcome of poverty soon.

"One Company One County" (「一司一縣」) Assistance in Pairs: The Company will, based on the needs of Jinzhai County, further understand the status of county enterprises in the form of on-site seminar and field research, and help local governments and county enterprises solve their practical problems. Relying on "the Commonweal Heart of Huatai · For Children, For Tomorrow" charity project, the Company will actively carry out the construction of Homes of Our Children in Shuanghe Junior Middle School in Jinzhai County, arrange teachers to provide education, and care for the living and learning conditions of local left-behind children. The Company will continue to organize Party members to go to Jinzhai Executive Leadership Academy for training and actively promote the red education resources of Jinzhai.

"Five Parties Linking Together" (「五方掛鉤」) Assistance in Pairs: The Company will further understand the demand of local economic development and the status of poor families with established archives and cards, and make in-depth investigations on preliminary assistance projects such as warehouse for fruits and vegetables. The Company will carry out financing poverty alleviation based on the needs of Fengxian County, and connect the financial industry with local needs precisely, so as to continuously enhance the internal driving force for economic development with the resources of capital market.

XIII. CONVERTIBLE CORPORATE BONDS

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

XIV. ENVIRONMENT INFORMATION

(1) Information of Environmental Protection of Companies that Are Not in Severely Polluting Industries

The Company advocated a low-carbon and environmentally-friendly operation and working mode, actively promoted its energy conservation and environmental protection system, called on each and every staff to incorporate the concept of energy conservation and environmental protection into the work and daily life to save social resources, protect the environment and reduce pollution to the maximum extent. The Company regularly conducts third-party environmental monitoring for the office area of headquarters every year, so as to create a healthy and comfortable working environment for staff. The Company is a financial company, so its main pollutants released are office waste, domestic wastewater and automobile exhaust with relatively lower emissions. The Company has also promoted a paperless working style, advocated water conservation and encouraged green travel to reduce the discharge of solid waste, wastewater and exhaust emission. Key methods of the Company to reduce negative environmental influences are as follows:

Key methods	Details
Promoting paperless working environment	Encouraging the use of e-text, providing online modification and finalization functions for document approval procedures to reduce paper used for printing; providing an e-business platform and enhancing the function of ZhangLe Fortune Path to encourage customers to use the online paperless services.
Generalizing telephone and video conferencing	Optimizing the communication mode through the adoption of telephone and video conference to reduce on-site meetings and decrease carbon emissions caused by business travels.
Promoting online training	Using cloud learning APPs and an official WeChat learning account for staff training to reduce business travels and vehicular application for training.
Advocating green travel	The Company owns 28 vehicles and imposes a strict management on such vehicles, encourages the sharing of vehicles in case of business travels, and advocates the use of subway and other public transports to reduce the use of company-owned vehicles. Since this year, the Company has installed 51 charging points at the underground garage to encourage employees to use new energy vehicles.
Setting up a low-carbon data center	Adopting a new energy-efficient technology for the close of cold channel in the substantial area of the machine room of our data center to improve the thermal performance and enhance the utilization of cooling air flow; realizing the integration of servers through virtualization technologies to substantially decline the use of servers and decrease energy consumption.
Proper treatment of solid wastes and wastewater	Office wastes are collected and transported by property management companies in a timely manner to create a beautiful environment; hazardous wastes such as electronic wastes, light pipes, toner cartridges and ink cartridges are recovered by qualified entities for further disposal or recycling; wastewater is discharged to the city sewage treatment factory through municipal sewage networks.

XV. CORPORATE GOVERNANCE

As a public company listed in both Mainland China and Hong Kong, the Company has standardized its operation in strict compliance with the requirements of relevant laws, regulations and normative documents in places where the Shares of the Company are listed. The Company is committed to continuously maintaining and improving corporate image in the market. During the Reporting Period, the Company was in strict compliance with the requirements of the Company Law (《公司法》), the Securities Law (《證券法》), the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), the Rules for Governance of Securities Companies (《證券公司治理準則》), the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Corporate Governance Code (《企業管治守則》) set out in Appendix 14 to the Hong Kong Listing Rules (《香港上市規則》), the

Corporate Governance Report (《企業管理報告》) and other relevant laws and regulations as well as the Articles of Association of the Company. In order to establish a modern corporate system, the Company has strengthened and refined its corporate governance structure, compliance and risk control system and internal control management system. A corporate governance structure with checks and balances has been formed, which features the separation among the Shareholders' general meeting, the Board, the Board of Supervisors and senior management. Under such structure, each party perform its respective functions at various levels and held accountable within respective responsibilities and authorization, ensuring the prudent and standardized operation of the Company.

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

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

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

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

During the Reporting Period, the Company convened 1 Shareholders' general meeting, 5 meetings of the Board of Directors, 2 meetings of the Board of Supervisors, 4 meetings of the Audit Committee, 1 meeting of the Compliance and Risk Management Committee, 3 meetings of the Development Strategy Committee, 1 meeting of the Remuneration and Appraisal Committee, and 1 meeting of the Nomination Committee. The total number of meetings convened was 18. The convening and holding and voting procedures of the general meeting, meetings of the Board of Directors the meetings of the Board of Supervisors were legally and valid. During the Reporting Period, by continuously enhancing investor relationship management and information disclosure, the Company possessed a standardized and professional investor relationship management, disclosed truthful and accurate information in a complete, timely and fair manner and continuously improved the transparency of its operation and management.

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

The Company has been striving for continuous improvement of corporate governance structure and system

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

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

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

(IV) Independent Non-Executive Directors

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

XVI. AUDIT COMMITTEE AND AUDITING

The Audit Committee was established under the Board in accordance with the requirements of the CSRC, the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The Audit Committee of the Fourth Session of Board of the Company is composed of independent Directors and Directors assigned by Shareholders. As of the end of the Reporting Period, the Audit Committee of the Company is composed of three members, namely Mr. Lee Chi Ming, Mr. Chen Ning and Mr. Liu Hongzhong, more than half of whom are independent Directors and Mr. Lee Chi Ming is the chairman (convener) of the Audit Committee. The Audit Committee is responsible for the communication, supervision and verification of internal and external audits of the Company and provides professional advice for the Board.

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

1. The first meeting of the Audit Committee of the Fourth Session of the Board for 2018 was convened by way of face to face and video conference on January 25, 2018, at which KPMG Huazhen LLP (Special General Partnership) introduced their schedule of audit work, focus of annual audit and pre-audit work in 2017.
2. The second meeting of the Audit Committee of the Fourth Session of the Board for 2018 was convened by way of teleconference on March 6, 2018, which considered and approved the Resolution on the Auditing Plan of the Company for 2017.

3. The third meeting of the Audit Committee of the Fourth Session of the Board for 2018 was convened in Nanjing on March 27, 2018, at which the Final Account Report of the Company for 2017, the Financial Budget Report of the Company for 2018, the Proposal on the Profit Distribution Plan of the Company for 2017, the Proposal on the Annual Financial Statement of the Company for 2017, the Resolution on the Annual Report of the Company for 2017, the Resolution on the Internal Control Assessment Report of the Company for 2017, the Proposal on the Anticipation of Ordinary Connected Transactions of the Company for 2018, the Proposal on the Reappointment of the Company's Accountant, the Resolution on Change of Accounting Policies and Amendments to the Accounting System of HTSC, the Report on Performance of Duties of Audit Committee under the Board of the Company for 2017, and the Work Plan for the Internal Audit of the Company for 2018 were considered and approved, and the Audit Committee reviewed the important matters involved in the "Key Audit Matters" as set out in the annual audit report of the Company for 2017, and received the internal audit report of the Company for 2017.

4. The fourth meeting of the Audit Committee of the Fourth Session of the Board for 2018 was convened by way of teleconference on April 25, 2018, at which the Proposal on the Financial Statements for January to March 2018 of the Company was considered and approved.

The interim financial report of the Company for 2018 as prepared by the International Financial Report Standards has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements.

On August 29, 2018, the Audit Committee reviewed and confirmed the Interim Result Announcement of the Group for the six months ended June 30, 2018, the Interim Report for 2018 and unaudited interim financial statements for the six months ended June 30, 2018 prepared according to the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".

XVII. DETAILS OF OTHER MAJOR EVENTS

(I) Changes in accounting policies, accounting estimates and accounting methods from the previous accounting period, reasons for the changes and their impact

For the content of and reasons for changes in accounting policies, please refer to the relevant content in "Section IX Financial Report""V. Significant Accounting Policies and Accounting Estimates""36. Changes in Significant Accounting Policies and Accounting Estimates" in this report.

(II) Others

1. Non-public issuance of A shares

Reviewed and approved by the sixth meeting of the Fourth Session of the Board, the fourteenth meeting of the Fourth Session of the Board, 2016 Annual General Meeting and 2017 Annual General Meeting of the Company and according to the Approval for the Non-Public Issuance of Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 315) (《關於核准华泰證券股份有限公司非公開發行股票的批覆》(證監許可[2018]315號)) from the CSRC, the Company issued A shares non-publicly to 6 specific investors, namely Alibaba (China) Technology Co., Ltd., Suning Com Co., Ltd., Essence Securities Co., Ltd., China Structural Reform Fund Corporation Limited, Shanghai Beixin Ruifeng Asset Management Co., Ltd., and Sunshine Property and Casualty Insurance Co., Ltd.. The number of shares issued was 1,088,731,200 with issuance price of RMB13.05 per share and the gross proceeds of RMB14,207,942,160.00. After the deduction of issuance expenses related to this non-public issuance of RMB74,736,488.79, the net proceeds raised amounted to RMB14,133,205,671.21, of which RMB1,088,731,200.00 was used as newly registered share capital and RMB13,044,474,471.21 was transferred into capital reserve. The Company completed the procedures for registration and restrictions on sale relating to the increase in shares at China Securities Depository and Clearing Company Limited Shanghai Branch on August 2, 2018.

For further details on the abovementioned transaction, please refer to the Company's announcements dated May 26, 2017, June 21, 2017, November 24, 2017, March 19, 2018, June 13, 2018 and August 3, 2018 and the supplementary circulars dated June 7, 2017 and May 24, 2018.

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

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

(2) Relocation of branches during the Reporting Period:

No.	Name of Branch before Relocation	Name of Branch after Relocation	Address after Relocation	Issue Date of License
1	Guangdong Branch	Guangdong Branch	Room 02 and 03, 36/F, 10 Huaxia Road, Tianhe District, Guangzhou	January 3, 2018

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

No.	Name of Securities Branch before Relocation	Name of Securities Branch after Relocation	Address after Relocation	Issue Date of License
1	Securities Branch in Changjiang Road, Yantai	Securities Branch in Jinhua Road, Yantai	No. 85, Jinhua Street, Zhifu District, Yantai, Shandong Province	February 8, 2018
2	Securities Branch in Macau Road, Shanghai	Securities Branch in Jiangning Road, Putuo District, Shanghai	Room 901, No. 1158, Jiangning Road, Putuo District, Shanghai	March 7, 2018
3	Securities Branch in Tianfu Avenue, Xipu Town, Pi County, Chengdu	Securities Branch in Tianfu Avenue, Xipu Town, Chengdu	2/F, Annex 6 of No. 26, Tianfu Avenue, Xipu Town, Pidu District, Chengdu	March 12, 2018
4	Securities Branch in Suxi Road, Wuxi	Securities Branch in 1st Financial Street, Wuxi	Room 01B, 1/F, No. 11 of 1st Financial Street, Taihu New Town, Binhu District, Wuxi	March 27, 2018
5	Securities Branch in Zhongguancun South Street, Beijing	Securities Branch in Xueyuan South Road, Beijing	Room 107, 1/F, and 309, 3/F, No.62 Xueyuan South Road, Haidian District, Beijing	April 24, 2018
6	Securities Branch in Zhongshan South Road, Suining, Xuzhou	Securities Branch in Renmin East Road, Suicheng, Xuzhou	Room 104, 205, 206, 214 and 215, Unit 1, Building 1, Hongrui Jiadi, Renmin East Road, Suicheng Town, Suining County	April 28, 2018
7	Securities Branch in Jinfeng South Street, Dafeng, Yancheng	Securities Branch in Renmin South Road, Dafeng, Yancheng	Room 102, 103 and 104, Building B, Yangguang Trade Building, Dafeng District, Yancheng City	May 22, 2018

(4) Cancellation of securities branches during the Reporting Period:

No.	Name of Cancelled Securities Branch	Address of Securities Branch	Date of Cancellation Notice Issued by Securities Regulatory Bureau
1	Securities Branch in Agriculture Exhibition Centre South Road, Beijing	Room F1-6, F1-7, F2-1, Ruichen International Centre, No.13 Agriculture Exhibition Centre South Road, Chaoyang District, Beijing City	January 12, 2018

3. Huatai Zijin Investment and its subsidiaries**(1) Changes of senior management**

During the Reporting Period, Huatai Zijin Investment appointed Cao Qun as its general manager.

(2) Major changes of industrial and commercial registration

During the Reporting Period, Huatai Zijin Investment was changed from a limited partner of Nanjing Huatai Onehealth No. 1 Equity Investment (Limited Partnership) and Nanjing Huatai Onehealth No. 2 Equity Investment (Limited Partnership) to the general partner, and acted as the executive partner and manager.

During the Reporting Period, Huatai Zijin Investment was changed from a limited partner of Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) to the general partner, and acted as the executive partner and manager.

During the Reporting Period, the general partner, executive partner and manager of Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership) was changed from Huatai Ruilian Fund Management Co., Ltd. to Huatai Zijin Investment; Huatai Ruilian Fund Management Co., Ltd., one of the partners, withdrew from the partnership, and the amount of subscribed capital contribution of Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership) was changed from RMB10.02 billion to RMB10.001 billion; the representative designated by the executive partner was changed from Chen Zhijie to Chen Andi.

(3) Investment and capital contribution**① Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership)**

Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) (北京華泰瑞合醫療產業投資中心(有限合夥)) was established in June 2015, and Huatai Zijin Investment as the investor subscribed for a contribution of RMB440 million, representing 44% of the total subscribed contribution. During the Reporting Period, Huatai Zijin Investment completed its paid-in contribution of RMB132 million to Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership). The paid-in contribution of Huatai Zijin Investment increased from RMB308 million to RMB440 million. As of the end of the Reporting Period, Huatai Zijin Investment completed its full obligation of paid-in contribution for Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership).

② Nanjing Huatai Onehealth No. 1 Equity Investment (Limited Partnership), and Nanjing Huatai Onehealth No. 2 Equity Investment (Limited Partnership)

Nanjing Huatai Onehealth No. 1 Equity Investment (Limited Partnership) (南京華泰大健康一號股權投資合夥企業(有限合夥)) was established in December 2016. Huatai Zijin Investment as a partner subscribed for a contribution of RMB279.1 million, representing 19.12% of the total subscribed contribution. During the Reporting Period, Huatai Zijin Investment completed its paid-in contribution of RMB139.55 million to Nanjing Huatai Onehealth No. 1 Equity Investment (Limited Partnership). The paid-in contribution of Huatai Zijin Investment increased from RMB139.55 million to RMB279.1 million. As of the end of the Reporting Period, Huatai Zijin Investment completed its full obligation of paid-in contribution for Nanjing Huatai Onehealth No. 1 Equity Investment (Limited Partnership).

Nanjing Huatai Onehealth No. 2 Equity Investment (Limited Partnership) (南京華泰大健康二號股權投資合夥企業

(有限合夥) was established in December 2016. Huatai Zijin Investment as a partner subscribed for a contribution of RMB19.9 million, representing 19.9% of the total subscribed contribution. During the Reporting Period, Huatai Zijin Investment completed its paid-in contribution of RMB9.95 million to Nanjing Huatai Onehealth No. 2 Equity Investment (Limited Partnership). The paid-in contribution of Huatai Zijin Investment increased from RMB9.95 million to RMB19.9 million. As of the end of the Reporting Period, Huatai Zijin Investment completed its full obligation of paid-in contribution for Nanjing Huatai Onehealth No. 2 Equity Investment (Limited Partnership).

③ Jiangsu Huatai Ares Fund Management Co., Ltd.

Jiangsu Huatai Ares Fund Management Co., Ltd. (江蘇華泰銳盛基金管理有限公司) was founded by Huatai Zijin Investment on December 7, 2016 with registered capital of RMB10 million, of which Huatai Zijin Investment subscribed capital contribution of RMB3.5 million, amounting to 35% of the total registered capital. On February 28, 2017, Huatai Zijin Investment increased its subscribed capital contributions to Jiangsu Huatai Ares Fund Management Co., Ltd. to RMB3.51 million, accounting for 35.1% of the total registered capital. During the Reporting Period, Huatai Zijin Investment acquired 14.9% equity of Jiangsu Huatai Ares Fund Management Co., Ltd. held by Xiamen Jiatai Huarui Investment Partnership (Limited Partnership) (廈門嘉泰華睿投資合夥企業 (有限合夥)), and contributed the paid-in capital of RMB3.5 million to Jiangsu Huatai Ares Fund Management Co., Ltd.

④ Shanghai Ruisi Investment (Limited Partnership)

Shanghai Ruisi Investment (Limited Partnership) (上海瑞肆投資中心 (有限合夥)), was established on November 9, 2015. During the Reporting Period, Huatai Zijin Investment subscribed for a contribution of RMB1 million as the general partner, representing 0.22% of the total subscribed contribution of Shanghai Ruisi Investment (Limited Partnership), and acted as the executive partner and manager of Shanghai Ruisi Investment (Limited Partnership). As of the end of the Reporting Period, Huatai Zijin Investment has not paid its contribution.

4. Huatai International

(1) During the Reporting Period, Huatai International completed the integration of Huatai Financial Holdings (Hong Kong) and became its sole shareholder. As the holding platform of the Company's international business, Huatai International directly owns Huatai Financial Holdings (Hong Kong) through which holds the equity of AssetMark in the United States.

(2) During the Reporting Period, Mr. Zhou Yi, Mr. Jiang Jian and Mr. Lu Ting ceased to act as the directors of Huatai International. The list of current directors of Huatai International comprises of Wang Lei, Wang Chong, Chen Li and Hu Xisha.

5. Huatai Innovative

During the Reporting Period, the Company signed the Equity Transfer Agreement with Huatai Innovative, which transferred all the 11% equity of GP Capital Co., Ltd. (金浦產業投資基金管理有限公司) (hereinafter referred to as "GP Capital") held by the Company to Huatai Innovative. Huatai Innovative paid the equity transfer price of RMB29.5 million on June 28, 2018. Ginpu Investment completed the change of industrial and commercial registration on July 11, 2018.

6. Huatai United Securities

On January 18, 2018, the 0.2% equity (2 million shares) of Huatai United Securities held by China Nuclear Energy Industry Corporation was sold in a judicial sale on the China Beijing Equity Exchange and Huatai Securities acquired such equity with an amount of RMB13,140,200.00. The equity transfer was completed on March 23, 2018, and the equity of Huatai United Securities held by the Company changed from 99.72% to 99.92%.

7. Jiangsu Equity Exchange

During the Reporting Period, Jiangsu Equity Exchange appointed Ge Hao as its general manager.

During the Reporting Period, according to the spirit of the Notice on Regulating and Developing Regional Equity Markets (Guo Ban Fa No. [2017] 11) (《 關於規範發展區域性股權市場的通知 》 (國辦發 [2017]11 號)) and the relevant

instructions from the Jiangsu Provincial Government, Jiangsu Equity Exchange and Suzhou Equity Exchange Center Co., Ltd. have integrated business and established “Suzhou Board”(蘇州板) in Jiangsu Equity Exchange. Jiangsu Equity Exchange and Suzhou Equity Exchange Center Co., Ltd. integrated all listed companies in Suzhou into the “Suzhou Board”. All current businesses of Suzhou Equity Exchange Center Co., Ltd. were transferred to Jiangsu Equity Exchange.

8. During the Reporting Period, Mr. Zhou Yi ceased to act as the director of Huatai Asset Management.

9. For other major events disclosed by the Company on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and website of the Shanghai Stock Exchange (www.sse.com.cn) during the Reporting Period, please refer to appendix.

10. The Company’s Communication with Shareholders and investor relations management during the Reporting Period

The investor relations management is one of the most important tasks on the normative development and legitimate operation of the Company and is highly valued by the Board of the Company. The Company planned, arranged and organized various activities to manage investor relations with a strong sense of responsibility, including coordinating on-site interviews to the Company, keeping in contact with regulatory authorities, investors, intermediary agencies and news media and so on.

During the Reporting Period, the Company timely update information on the “Investor Relations” column on the Company’s website, and answered inquiries from investors of the interactive E-platform on the website of the Shanghai Stock Exchange. The Company have received 8 times of onsite investigations and surveys or telephone interviews from approximately 27 researchers and investment professionals such as securities companies and funds companies at home and abroad during the first half of the year. The Company also carried out daily consultation work seriously for investors and answered their questions in details. Meanwhile, to assist the issuance of the periodic reports, the Company held 1 presentation for its 2017 annual results, proactively attended strategy seminars and investment forums held by domestic or foreign securities institutions, and maintained full communications with investors on issues such as the development trend of the industry, operational results of the Company as well as its business development strategy, which effectively promoted investors’ understanding of the business condition and result performance of the Company, completely marketed the development advantages of the Company, and guided market expectations effectively. The Company persisted in inducing and analyzing various questions proposed by institutional investors and researchers to improve the professionalism, normalization and the quality of investor relations management of the Company.

The Company’s reception of investigations and surveys, communications, and interviews in the first half of 2018:

No.	Date of reception	Place of reception	Way of reception	Guests	Major topics discussed and information provided
1	January 23, 2018	The headquarters of the Company	On-site interview	Guosen Securities (2 persons/times)	Business development, innovative business and long-term development strategy of the Company
2	April 18, 2018	The headquarters of the Company	On-site interview	Guotai Junan Securities (5 persons/times)	
3	April 18, 2018	The headquarters of the Company	On-site interview	GF Securities (9 persons/times)	
4	June 12, 2018	The headquarters of the Company	On-site interview	Minsheng Securities (1 person/time)	
5	June 12, 2018	The headquarters of the Company	On-site interview	Hua Chuang Securities (2 persons/times)	
6	July 6, 2018	The headquarters of the Company	On-site interview	Northeast Securities (1 person/time)	
7	July 6, 2018	The headquarters of the Company	On-site interview	CITIC Securities (5 persons/times)	
8	July 19, 2018	The headquarters of the Company	Telephone interview	China Universal Asset Management (2 persons/times)	



Corporate Governance

Changes in Ordinary Shares and Shareholders	098
Directors, Supervisors and Senior Management	104
Corporate Bonds	108



CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. Changes in share capital

(I) Statement of changes in share capital

As of the end of the Reporting Period, the Company had a total share capital of 7,162,768,800 Shares, including:

A Shares	5,443,723,120	representing 76% of the total share capital
H Shares	1,719,045,680	representing 24% of the total share capital

During the Reporting Period, there was no change in the total number of shares and share capital structure of the Company.

(II) Changes in shares subject to selling restrictions

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

(III) Effect of changes in shares on financial indicators such as earnings per share and net assets per share within the period from the end of the Reporting Period to the disclosure date of the interim report (if any)

On August 2, 2018, the Company completed the registration of new A Shares non-publicly issued by the Company, and the total share capital of the Company increased from 7,162,768,800 Shares to 8,251,500,000 Shares. After the change in share capital, the fully diluted earnings per share was RMB0.3828.

(IV) Other contents that the Company deemed necessary or securities regulatory authorities require to disclose

On July 3, 2018, the Company received a notice from Guoxin Group of its increase in parts of shareholding in the Company through the trading system of the Shanghai Stock Exchange and intended to continue to increase its shareholding in the Company through the trading system of the Shanghai Stock Exchange in its own name within the next six months, with the increased shareholding percentage in aggregate not less than 0.0698% (5 million shares) of the Company's total share capital and not higher than 0.4% of the Company's total share capital (inclusive of this increase in shareholding). (See Shanghai Stock Exchange announcement 2018-037 for details)

On August 6, 2018, the Company received a notice from Guoxin Group that according to the "Announcement on the Results of the Non-Public Issue of A Shares and Shares Movements of Huatai Securities Co., Ltd. (《华泰证券股份有限公司非公开发行A股股票发行结果暨股份变动公告》)" disclosed on August 4, 2018 by the Company, the Company has completed the registration of new A Shares non-publicly issued by the Company on August 2, 2018, and the total share capital of the Company increased from 7,162,768,800 shares to 8,251,500,000 shares. Guoxin Group intended to continue to increase its shareholding in the Company, with the number of shares to be increased adjusted as follows: the increased shareholding percentage in aggregate not less than 0.061% (5 million shares) of the Company's total share capital after the completion of share issuance and not higher than 0.347% of the Company's total share capital after the completion of share issuance (inclusive of the increase in shareholding since July 3, 2018). (See Shanghai Stock Exchange announcement 2018-043 for details)

As of August 30, 2018, the plan on the increase of shareholding has not been implemented yet. Guoxin Group held 1,252,858,425 shares of the Company, representing 15.1834% of the total share capital after the completion of this non-public issuance (i.e. 8,251,500,000 shares).

II. Information of Shareholders

(I) Total number of Shareholders:

Total number of Shareholders of ordinary Shares as at the end of the Reporting Period	191,764
Total number of Shareholders of preferred Shares whose voting rights have been restored as at the end of the Reporting Period	—

Among the total number of ordinary Shareholders as at the end of the Reporting Period, there were 183,177 A Shareholders, and 8,587 registered H Shareholders.

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

Unit: Share

Shareholding of top ten shareholders							
Name of shareholder (in full name)	Increase/ Decrease during the Reporting Period	Number of shares held as of the end of the Reporting Period	Percentage (%)	Number of shares held subject to selling restrictions	Pledged or frozen shares		Class of shareholder
					Status of shares	Number of shares	
HKSCC Nominees Limited	129,700	1,715,217,847	23.9463	-	Nil	-	Foreign legal person
Jiangsu Guoxin Investment Group Limited	-	1,250,928,425	17.4643	-	Nil	-	State-owned legal person
Jiangsu Communications Holding Company Limited	(698,500)	449,930,418	6.2815	-	Nil	-	State-owned legal person
China Securities Finance Corporation Limited	61,441,491	349,680,811	4.8819	-	Nil	-	Unknown
Govtor Capital Group Co., Ltd.	-	342,028,006	4.7751	-	Nil	-	State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	(11,639,584)	162,887,966	2.2741	-	Nil	-	State-owned legal person
Jiangsu High Hope International Group Co., Ltd.	(21,100,000)	152,194,924	2.1248	-	Nil	-	State-owned legal person
Jiangsu Hiteker High-tech Co., Ltd.	-	123,169,146	1.7196	-	Unknown	123,169,146	Domestic non State-owned legal person
Central Huijin Assets Management Co.,Ltd.	-	98,222,400	1.3713	-	Nil	-	Unknown
Jincheng Group Co.,Ltd.	-	85,353,007	1.1916	-	Nil	-	State-owned legal person

Shareholding of top ten holders of shares not subject to selling restrictions			
Name of Shareholder	Number of tradable shares not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	1,715,217,847	Overseas listed foreign shares	1,715,217,847
Jiangsu Guoxin Investment Group Limited	1,250,928,425	Ordinary shares in RMB	1,250,928,425
Jiangsu Communications Holding Company Limited	449,930,418	Ordinary shares in RMB	449,930,418
China Securities Finance Corporation Limited	349,680,811	Ordinary shares in RMB	349,680,811
Govtor Capital Group Co., Ltd.	342,028,006	Ordinary shares in RMB	342,028,006
Jiangsu SOHO Holdings Group Co., Ltd.	162,887,966	Ordinary shares in RMB	162,887,966
Jiangsu High Hope International Group Co., Ltd.	152,194,924	Ordinary shares in RMB	152,194,924
Jiangsu Hiteker High-tech Co., Ltd.	123,169,146	Ordinary shares in RMB	123,169,146
Central Huijin Assets Management Co., Ltd.	98,222,400	Ordinary shares in RMB	98,222,400
Jincheng Group Co., Ltd.	85,353,007	Ordinary shares in RMB	85,353,007
Description of the connected relationships or action in concert between the above shareholders	Guoxin Group, Communications Holding, Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd. and Jiangsu Suhui Assets Management Co., Ltd. (the parent company of Jiangsu High Hope International Group Co., Ltd., with 67.41% shareholding) are wholly-owned by Jiangsu SASAC. Apart from the above, the Company is not aware of any connection between other shareholders of the Company or whether such shareholders are parties acting in concert as specified in the Regulations on the Takeover of Listed Companies.		
Explanation of shareholders of preferred shares with restored voting rights and number of shares held	No shareholders of preferred shares in the Company		

Notes: 1. Among holders of overseas listed foreign shares (H Shares) of the Company, shares of non-registered shareholders are held by HKSCC Nominees Limited.
2. The class of shareholders of ordinary shares in RMB (A shares) represents the class of account held by shareholders registered with the Shanghai branch of China Securities Depository and Clearing Corporation Limited.

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

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

III. Changes in Controlling Shareholders or De Facto Controllers

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

IV. Substantial Shareholders' and Other Persons' interests and Short Positions in Shares and Underlying Shares

As of June 30, 2018, as far as the Directors of the Company are aware after having made all reasonable enquiries, the following persons (other than the Directors, Supervisors and chief executive of the Company) held interests or short positions in the shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under section 336 of the SFO:

No.	Name of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/H Shares of the Company (%)	Long position (Note 2)/short position (Note 3)
1	Jiangsu Guoxin Investment Group Limited	A shares	Beneficial owner (Note 1)	1,250,928,425	17.46	22.98	Long position
2	Jiangsu Communications Holding Company Limited	A shares	Beneficial owner (Note 1)	449,930,418	6.28	8.27	Long position
3	China Securities Finance Corporation Limited	A shares	Beneficial owner (Note 1)	349,680,811	4.88	6.42	Long position
4	Govtor Capital Group Co., Ltd.	A shares	Beneficial owner (Note 1)	342,028,006	4.78	6.28	Long position
5	NSSF	H Shares	Beneficial owner (Note 1)	142,346,200	1.99	8.28	Long position
6	BlackRock, Inc.	H Shares	Interest in a controlled corporation (Note 1)	94,103,955	1.31	5.47	Long position
		H Shares	Interest in a controlled corporation (Note 1)	4,061,000	0.06	0.24	Short position

Note 1: According to the information disclosed on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and China Securities Depository and Clearing Co., Ltd. (www.chinaclear.cn). Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of Shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be differences between substantial Shareholders' latest shareholdings in the Company and the shareholding information as reported to the Hong Kong Stock Exchange;

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

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

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company as at June 30, 2018 required to be recorded in the register pursuant to Section 336 of the SFO.

V. Directors, Supervisors and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As of June 30, 2018, according to the information obtained by the Company and so far as the Directors are aware, interests and short positions (including interests or short positions which had been taken or deemed to have under such provisions of SFO) held by Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be notified to the Company and the Hong Kong Stock Exchange:

No.	Name	Class of shares	Nature of interest	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued A shares/ H shares of the Company (%)	Long position/ short position
1	Zhou Yi	H Shares	Beneficiary of the trust (Note 1)	353,261	0.005	0.02	Long position

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

Save as disclosed above, the Company was not aware of any other Directors, Supervisors and chief executive of the Company having any interests and short positions (including interests or short positions which had been taken or deemed to have been under such provisions of SFO) in the shares or underlying shares or debentures of the Company or its associated corporations on June 30, 2018, which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register under the provision of Section 352 of the SFO, or notified to the Company and the Hong Kong Stock Exchange under the provision of the Model Code.

VI. Purchase, Sale or Redemption of the Listed Securities of the Company and its Subsidiaries

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

VII. Information on Preferred Shares

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



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Changes in Shareholding Structure

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

During the Reporting Period, there were no changes in the shareholding structure of current and resigned Directors, Supervisors and senior management during the Reporting Period.

(II) Option Incentive granted to Directors, Supervisors and Senior Management during the Reporting Period

During the Reporting Period, the Company had no option incentive granted to Directors, Supervisors and senior management.

II. Changes in Directors, Supervisors and Senior Management

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

Name	Position	Change
Yang Xiongsheng	Independent non-executive Director	Resigned
Chen Zhibin	Independent non-executive Director	Appointed

Information on the changes of Directors, Supervisors and senior management of the Company:

On March 11, 2018, due to personal health conditions, Mr. Yang Xiongsheng ceased to perform his duties as an independent non-executive Director of the Company and a member of the Audit Committee of the Board with immediate effect.

On June 13, 2018, the resolution relating to the election of Mr. Chen Zhibin as an independent non-executive Director of the Fourth Session of the Board of the Company was considered and approved at the 2017 Annual General Meeting, and Mr. Chen Zhibin was elected as an independent non-executive Director of the Fourth Session of the Board of the Company. Mr. Chen Zhibin will serve as an independent non-executive Director of the Fourth Session of the Board of the Company with immediate effect and he shall hold office till the end of the conclusion of the current session of the Board.

For details about the new appointed directors, please refer to the Company's announcement dated March 12, 2018 and June 13, 2018 and the circular dated April 26, 2018.

Save as disclosed above, the Company did not appoint or dismiss any Director, Supervisor and senior management during the Reporting Period. Meanwhile, there is no change of information about the Directors, Supervisors and chief executive which shall be disclosed pursuant to 13.51(2) of the Listing Rules.

III. OTHER INFORMATION

(I) Service contract of Directors and Supervisors

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

(II) Employees and remuneration policy

1. Remuneration Policy

The Company attaches importance to external competitiveness and internal fairness of salary incentive, and implements a remuneration distribution system based on market standards and weighed by performance evaluation. Employee remuneration of the Company consists of fixed salary, performance bonus and employee benefits.

The Company makes full payments to social insurances (pension insurance, medical insurance, unemployment insurance, job-related injury insurance and maternity insurance) and housing fund accounts for employees in accordance with relevant laws and regulations. Meanwhile, the Company has established an additional medical insurance plan and an enterprise annuity plan to improve the employees' additional medical insurance and retirement benefits.

2. Training

In line with the trend of industry innovation and transformation, the Company continued to focus on aspects including but not limited to business innovation, employee orientation, management capability and cultivation of internal trainers. The Company propelled the training with a combination of centralized and external trainings, as well as on-site and internet trainings. The annual training plan was proceeded orderly. While the Investment Star series (投顧星系列) projects horizontally covered all business lines, the Star Camp (星戰營), the Huatai Star series (華泰星系列) and internal trainer systems vertically covered employees at all levels. These allowed the Company to develop a training system with global vision, which is in line with the strategic development of the Company. In the first half of 2018, the Company's training programs increased significantly in scale and coverage compared with the same period of last year. The Company completed 37 centralized trainings and 53 off-site trainings, with approximately 2,400 on-site participants and over 2,000 participants who participated via remote video or online trainings. More than 5,700 employees completed 77,600 hours of online lectures via the company's online training center, and the Company's internal trainers provided over 370 hours of lectures in total. The Company was committed to building a workforce with global vision by introducing advanced overseas courses such as Hong Kong wealth management trainings and series trainings of overseas

through train. Based on the transformation strategy of comprehensive wealth management, the Company carried out target projects to enhance the quality of both newly recruited and experienced investment advisors in 30 branches. In line with the Company's determination to strengthen its management capacity for future development, the Company launched trainings for grassroot managers in the headquarters and branches of the Company, covering 279 heads of branches nationwide and 93 team heads of the headquarter. In order to adapt to the trend of industry innovation and the need of experience exchange, the Company organized trainings for internal trainers covering the whole company and held the Huatai Forum (華泰大講堂) through the online center and via remote videos. The Company also established a regular internal training mechanism for each department and arranged all departments to formulate and implement the annual training plan. In the meantime, the Company launched the "Huatai Cloud School (華泰雲端學院)" APP to create an integrated mobile learning platform for all employees.

3. Number of Employees

As of June 30, 2018, there were 8,767 employees in the Group, of which 6,163 were from the parent company and 2,604 were from the subsidiaries.



CORPORATE BONDS

I. BASIC INFORMATION ON CORPORATE BONDS

Unit and Currency: RMB100 million

Name	Abbreviation	Code	Issue date	Expiration date	Balance	Interest rate (%)	Principal and interest payment method	Place for trading
2013 Corporate Bonds of Huatai Securities (Five-year bonds)	13 Huatai 01	122261.SH	2013.06.05	2018.06.05	—	4.68	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2013 Corporate Bonds of Huatai Securities (Ten-year bonds)	13 Huatai 02	122262.SH	2013.06.05	2023.06.05	60.00	5.10	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2015 Corporate Bonds of Huatai Securities (First tranche) (Variety I)	15 Huatai G1	122388.SH	2015.06.29	2018.06.29	—	4.20	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (First tranche) (Variety I)	16 Huatai G1	136851.SH	2016.12.06	2019.12.06	35.00	3.57	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (First tranche) (Variety II)	16 Huatai G2	136852.SH	2016.12.06	2021.12.06	25.00	3.78	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (Second tranche) (Variety I)	16 Huatai G3	136873.SH	2016.12.14	2019.12.14	50.00	3.79	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange
2016 Corporate Bonds of Huatai Securities (Second tranche) (Variety II)	16 Huatai G4	136874.SH	2016.12.14	2021.12.14	30.00	3.97	Principal to be paid upon expiration and interest to be paid annually	Shanghai Stock Exchange

Interest payment for corporate bonds

On June 5, 2018, the Company paid the interest for “13 Huatai 01” and “13 Huatai 02” bonds for the period from June 5, 2017 to June 4, 2018 with a total amount of RMB493.2 million (tax inclusive) and the repayment of the principal for “13 Huatai 01” amounting to RMB4 billion. On June 29, 2018, the Company redeemed and paid the interest for “15 Huatai G1” bonds for the period from June 29, 2017 to June 28, 2018 amounting to RMB277.2 million (tax included) and the repayment of the principal for “15 Huatai G1” amounting to RMB6.6 billion.

Other information on corporate bonds

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

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

Entrusted manager of bonds	Name	GF Securities Co., Ltd.
	Office address	Room 4301-4316, 43rd Floor, Metropolitan Plaza, 183-187 Tianhe North Road, Tianhe District, Guangzhou, Guangdong Province
	Contact persons	Li Peng, Feng Hui
	Tel. no.	021-60750691
Entrusted manager of bonds	Name	Industrial Securities Co., Ltd.
	Office address	Room 1103, Block B, Xincheng Mansion, 5 Finance Avenue, Xicheng District, Beijing
	Contact persons	Meng Xiang
	Tel. no.	010-66553783
Entrusted manager of bonds	Name	Shenwan Hongyuan Securities Co., Ltd.
	Office address	45th Floor, 989 Changle Road, Xuhui District, Shanghai
	Contact persons	Yu Shan, Liu Yuan
	Tel. no.	010-88013931
Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Office address	14th Floor, Huasheng Mansion, 398 Hankou Road, Shanghai

Note:

The entrusted manager of “13 Huatai 01” and “13 Huatai 02” bonds is GF Securities Co., Ltd., the entrusted manager of “15 Huatai G1” bonds is Industrial Securities Co., Ltd., the entrusted manager of “16 Huatai G1”, “16 Huatai G2”, “16 Huatai G3” and “16 Huatai G4” bonds is Shenwan Hongyuan Securities Co., Ltd., and the credit rating agency for each tranche of bonds is Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世纪资信评估投资服务有限公司).

III. USE OF PROCEEDS FROM CORPORATE BONDS

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

IV. BOND RATING OF THE COMPANY

On April 28, 2018, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. updated the credit ratings on the credit status of "13 Huatai 01", "13 Huatai 02", "15 Huatai G1", "16 Huatai G1", "16 Huatai G2", "16 Huatai G3" and "16 Huatai G4" issued corporate bonds of the Company, and released the Updated Credit Rating Report on the 2013, 2015 and 2016 Corporate Bonds of Huatai Securities Co., Ltd. (No.: Brilliance [2018]100043), which reaffirmed the AAA credit rating for the Company's "13 Huatai 01", "13 Huatai 02", "15 Huatai G1", "16 Huatai G1", "16 Huatai G2", "16 Huatai G3" and "16 Huatai G4" bonds, the AAA entity credit rating for the Company and a stable rating outlook.

For detailed contents of the rating results, please refer to the announcement on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the Shanghai Stock Exchange (www.sse.com.cn).

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

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

VI. MEETINGS OF THE HOLDERS OF CORPORATE BONDS

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

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

During the Reporting Period, GF Securities Co., Ltd., (廣發證券股份有限公司) as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2013 Corporate Bonds of Huatai Securities Co., Ltd. (Year 2017). For details, please refer to the relevant announcement published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily by the Company, which was disclosed on the same date on the website of the Shanghai Stock Exchange (www.sse.com.cn).

During the Reporting Period, Industrial Securities Co., Ltd., (興業證券股份有限公司) as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2015 Corporate Bonds (1st tranche) of Huatai Securities Co., Ltd. (Year 2017). For details, please refer to the relevant announcement published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily by the Company, which was disclosed on the same date on the website of the Shanghai Stock Exchange (www.sse.com.cn).

During the Reporting Period, Shenwan Hongyuan Securities Co., Ltd., as the entrusted manager of the corporate bonds, issued the Report on the Entrusted Affairs in Relation to the 2016 Corporate Bonds (1st tranche) of Huatai Securities Co., Ltd. (Year 2017) and the Report on the Entrusted Affairs in Relation to the 2016 Corporate Bonds (2nd tranche) of Huatai Securities Co., Ltd. (Year 2017). For details, please refer to the relevant announcement published on China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily by the Company, which was disclosed on the same date on the website of the Shanghai Stock Exchange (www.sse.com.cn).

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

Unit and Currency: RMB10 thousand

Primary indicators	As at the end of the Reporting Period	As at the end of the previous year	Change (%)	Reason for the change
Current ratio	1.50	1.55	(3.23)	—
Quick ratio	1.50	1.55	(3.23)	—
Gearing ratio	72.09%	71.80%	Increased by 0.29 percentage point	—
Loan repayment ratio	100.00%	100.00%	—	—
Primary indicators	The Reporting Period	Corresponding period in the previous year	Change (%)	Reason for the change
Times interest earned of EBITDA	2.27	2.68	(15.30)	Increase in interest expenses
Interest payment ratio	100.00%	100.00%	—	—

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

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

Unit and Currency: RMB100 million

Short name of the bond	Issuing scale	Closing balance	Coupon rate (%)	Value date	Maturity date	Redemption and interest payment
15 Huatai 03	50.00	50.00	5.80	2015-04-21	2020-04-21	Redemption and interest payment
16 Huatai C1	50.00	50.00	3.30	2016-10-14	2021-10-14	—
16 Huatai C2	30.00	30.00	3.12	2016-10-21	2019-10-21	—
17 Huatai 01	60.00	60.00	4.50	2017-02-24	2018-08-24	Interest payment
17 Huatai 02	20.00	20.00	4.65	2017-02-24	2020-02-24	Interest payment
17 Huatai 03	40.00	40.00	5.00	2017-05-15	2019-05-15	Interest payment
17 Huatai 04	60.00	60.00	5.25	2017-05-15	2020-05-15	Interest payment
17 Huatai 05	40.00	40.00	4.65	2017-08-11	2018-08-11	—
17 Huatai 06	50.00	50.00	4.98	2017-10-19	2019-04-19	—
17 Huatai 07	40.00	40.00	5.20	2017-11-20	2018-11-20	—
17 Huatai C2	50.00	50.00	4.95	2017-07-27	2020-07-27	—
17 Huatai C3	20.00	20.00	5.00	2017-09-14	2018-09-14	—
18 Huatai C1	10.00	10.00	5.65	2018-03-15	2020-03-15	—
18 Huatai C2	28.00	28.00	5.20	2018-05-10	2021-05-10	—
18 Huatai D1	46.00	46.00	5.00	2018-06-11	2019-06-11	—
Overseas bonds	USD400 million	USD400 million	3.625	2014-10-08	2019-10-08	Interest payment

Notes:

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

During the Reporting Period, the Company redeemed and paid the interest for "15 Huatai 03" Subordinated Bonds (123100) privately issued by the Company in 2015, with the payment amounting to RMB5,290 million (tax included). For details of relevant announcements, please refer to the disclosure of the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn).

During the Reporting Period, the Company paid the interest of the Corporate Bonds (the First Tranche) privately issued by the Company in 2017, for the period from February 24, 2017 to February 23, 2018, with interest payment amounting to RMB363 million (tax included); paid the interest of the Corporate Bonds (the Second Tranche) privately issued by the Company in 2017, for the period from May 15, 2017 to May 14, 2018, with interest payment amounting to RMB515 million (tax included).

During the Reporting Period, Huatai International Finance I Limited, a special purpose company of Huatai Financial Holdings (Hong Kong), paid an interest on overseas bonds of USD7.25 million on April 9, 2018.

X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company enhanced its credit management. As of the end of June 2018, the total credit obtained by the Company from commercial banks was RMB419.6 billion, which effectively supported the development of all business lines of the Company.

The Company has enjoyed a good reputation. During the Reporting Period, it repaid bank loans on time without extension or reduction.

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

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

XII. MAJOR EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATION AND SOLVENCY OF THE COMPANY

During the Reporting Period, the Company did not experience any major event that would have a material impact on the Company's operation and solvency.



Financial Report and Documents for Inspection

Report on Review of Interim Financial Report	116
Index of Documents for Inspection	234
Information Disclosure of Securities Companies	234
Appendix	235



Report on Review of Interim Financial Report



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

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

Introduction

We have reviewed the accompanying interim financial report set out on page 117 to 233, which comprises the consolidated statements of financial position of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2018 and the related consolidated income statements, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of interim financial report in accordance with IAS 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34.

KPMG

Certified Public Accountants

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

30 August 2018

Unaudited consolidated income statements

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2018	2017
			(Note)
Revenue			
Fee and commission income	4	5,092,311	5,712,822
Interest income	5	4,839,701	4,429,961
Net investment gains	6	1,561,825	2,177,187
		<hr/>	<hr/>
Total revenue		11,493,837	12,319,970
Other income and gains	7	486,142	100,145
		<hr/>	<hr/>
Total revenue and other income		11,979,979	12,420,115
		<hr/>	<hr/>
Fee and commission expenses	8	(1,195,669)	(1,811,768)
Interest expenses	9	(3,530,126)	(2,708,184)
Staff costs	10	(2,655,916)	(2,853,532)
Depreciation and amortisation expenses	11	(296,752)	(279,944)
Tax and surcharges	12	(72,611)	(67,567)
Other operating expenses	13	(1,115,270)	(935,603)
Net impairment loss on financial assets	14	(60,509)	(5,945)
		<hr/>	<hr/>
Total expenses		(8,926,853)	(8,662,543)
		<hr/>	<hr/>

The notes on pages 133 to 233 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 51(h).

Unaudited consolidated income statements (continued)

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2018	2017
			(Note)
Operating profit		3,053,126	3,757,572
Share of profit of associates and joint ventures		967,354	229,291
Profit before income tax		4,020,480	3,986,863
Income tax expense	15	(813,995)	(932,296)
Profit for the period		3,206,485	3,054,567
Attributable to:			
Shareholders of the Company		3,158,898	2,993,250
Non-controlling interests		47,587	61,317
		3,206,485	3,054,567
Basic and diluted earnings per share (in Renminbi per share)	16	0.44	0.42

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 133 to 233 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 51(h).

Unaudited consolidated statements of profit or loss and other comprehensive income

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2018	2017
Profit for the period		3,206,485	3,054,567
Other comprehensive income for the period			
Items that are or may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates and joint ventures		2,097	16,602
Exchange differences on translation of financial statements in foreign currencies		80,132	(189,904)
Available-for-sale financial assets			
- Net changes in fair value		-	1,466,342
- Reclassified to profit or loss		-	(933,062)
Income tax impact		-	(151,153)

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of profit or loss and other comprehensive income (continued)

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2018	2017
(Note)			
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income			
- Net change in fair value		(441,944)	-
Income tax impact		110,486	-
Total other comprehensive income for the period, net of tax	17	(249,229)	208,825
Total comprehensive income for the period		2,957,256	3,263,392
Attributable to:			
Shareholders of the Company		2,909,743	3,219,537
Non-controlling interests		47,513	43,855
Total		2,957,256	3,263,392

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of financial position

As at 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2018	As at 31 December 2017
			(Note)
Non-current assets			
Property and equipment	17	3,690,955	3,737,471
Investment properties		799,914	844,705
Goodwill	18	1,996,345	1,971,722
Other intangible assets	19	5,214,859	5,137,749
Interest in associates	20	9,583,971	8,895,908
Interest in joint ventures	21	616,099	-
Financial assets measured at amortised cost	22	11,021,766	-
Financial assets at fair value through other comprehensive income	23	10,719,677	-
Available-for-sale financial assets	24	-	29,766,929
Financial assets held under resale agreements		4,806,543	8,424,304
Financial assets at fair value through profit or loss	25	6,551,832	1,796,667
Refundable deposits	26	9,512,528	7,302,285
Deferred tax assets	27	449,484	472,556
Other non-current assets	28	300,874	81,047
		<hr/>	<hr/>
Total non-current assets		65,264,847	68,431,343
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of financial position (continued)

As at 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2018	As at 31 December 2017
			(Note)
Current assets			
Accounts receivable	29	2,738,956	1,980,337
Other receivables and prepayments	30	7,772,538	6,259,561
Margin accounts receivable	31	52,137,999	59,991,454
Financial assets measured at amortised cost	22	1,442,595	-
Available-for-sale financial assets	24	-	14,816,239
Financial assets held under resale agreements		51,721,508	53,381,011
Financial assets at fair value through profit or loss	25	118,386,526	82,753,755
Derivative financial assets	32	1,795,404	391,714
Clearing settlement funds	33	1,552,344	1,147,448
Cash held on behalf of brokerage clients	34	65,503,653	65,303,548
Cash and bank balances	35	27,321,937	27,026,130
		<hr/>	<hr/>
Total current assets		330,373,460	313,051,197
		<hr/> <hr/>	<hr/> <hr/>
Total assets		395,638,307	381,482,540

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of financial position (continued)

As at 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2018	As at 31 December 2017
			(Note)
Current liabilities			
Short-term bank loans	37	400,082	-
Short-term debt instruments issued	38	29,280,330	26,656,010
Placements from other financial institutions	39	14,225,422	7,029,998
Accounts payable to brokerage clients	40	67,939,857	67,335,545
Employee benefits payable		964,695	2,668,777
Other payables and accruals	41	64,085,117	62,615,235
Current tax liabilities		158,196	433,551
Financial assets sold under repurchase agreements		39,757,615	23,921,537
Financial liabilities at fair value through profit or loss	42	7,571,458	12,035,660
Derivative financial liabilities	32	764,105	1,642,283
Long-term bonds due within one year	43	18,100,000	21,597,480
Total current liabilities		243,246,877	225,936,076
Net current assets		87,126,583	87,115,121
Total assets less current liabilities		152,391,430	155,546,464

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of financial position (continued)

As at 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2018	As at 31 December 2017
			(Note)
Non-current liabilities			
Long-term bonds	44	48,510,477	55,600,796
Placements from other financial institutions	39	972,983	-
Non-current employee benefits payable		6,538,098	6,078,642
Deferred tax liabilities	27	2,113,583	1,931,446
Financial liabilities at fair value through profit or loss	42	2,051,256	2,345,668
Financial assets sold under repurchase agreements		754,001	1,000,000
		<hr/>	<hr/>
Total non-current liabilities		60,940,398	66,956,552
		<hr/> <hr/>	<hr/> <hr/>
Net assets		91,451,032	88,589,912
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of financial position (continued)

As at 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 30 June 2018	As at 31 December 2017
			(Note)
Equity			
Share capital	45	7,162,769	7,162,769
Reserves	46	60,351,975	61,195,954
Retained profits	47	22,657,506	18,977,215
		<hr/>	<hr/>
Total equity attributable to shareholders of the Company		90,172,250	87,335,938
Non-controlling interests		1,278,782	1,253,974
		<hr/>	<hr/>
Total equity		91,451,032	88,589,912

Approved and authorised for issue by the board of directors on 30 August 2018.

Zhou Yi
Chairman of the Board,
Director and President

Chen Ning
Director

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of changes in equity

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company										Non-controlling interest	Total equity
	Share capital (Note 45)	Reserves					Retained profits (Note 47)	Total				
		Capital reserve (Note 46)	Surplus reserve (Note 46)	General reserve (Note 46)	Fair value reserve (Note 46)	Translation reserve (Note 46)						
As at 31 December 2017	7162,769	45,820,627	3,919,488	10,008,183	1,525,650	(77,994)	18,977,215	87,335,938	1,253,974	88,589,912		
Impact on initial application of IFRS 9	-	-	34,366	60,799	(715,018)	-	549,914	(69,939)	(15)	(70,090)		
Adjusted balance at 1 January 2018	7162,769	45,820,627	3,953,854	10,068,982	810,632	(77,994)	19,527,129	87,265,999	1,253,823	88,519,822		
Changes in equity for the period												
Profit for the period	-	-	-	-	-	-	3,158,898	3,158,898	47,587	3,206,485		
Other comprehensive income	-	-	-	-	(329,361)	80,206	-	(249,155)	(74)	(249,229)		
Total comprehensive income	-	-	-	-	(329,361)	80,206	3,158,898	2,909,743	47,513	2,957,256		
Acquisition of NCI without a change in control	-	(3,492)	-	-	-	-	-	(3,492)	(9,839)	(13,331)		
Appropriation to general reserve	-	-	-	28,521	-	-	(28,521)	-	-	-		
Dividends declared for the period	-	-	-	-	-	-	-	-	(12,715)	(12,715)		
As at 30 June 2018	7162,769	45,817,135	3,953,854	10,097,503	481,271	2,212	22,657,506	90,172,250	1,278,782	91,451,032		

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of changes in equity (continued)

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company										Non-controlling interest	Total equity
	Share capital (Note 45)	Reserves					Retained profits (Note 47)	Total	Non-controlling interest	Total equity		
		Capital reserve (Note 46)	Surplus reserve (Note 46)	General reserve (Note 46)	Fair value reserve (Note 46)	Translation reserve (Note 46)						
As at 1 January 2017	7,162,769	45,837,763	3,071,195	7,943,619	3,775,704	371,471	16,194,936	84,357,457	1,302,740	85,660,197		
Changes in equity for the period												
Profit for the period	-	-	-	-	-	-	2,993,250	2,993,250	61,317	3,054,567		
Other comprehensive income	-	-	-	417,072	(190,785)	-	-	226,287	(7,462)	208,825		
Total comprehensive income	-	-	-	417,072	(190,785)	-	2,993,250	3,219,537	43,855	3,263,392		
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	261,144	261,144		
Dividends declared for the period	-	-	-	-	-	-	(3,581,384)	(3,581,384)	(1,620)	(3,583,004)		
As at 30 June 2017	7,162,769	45,837,763	3,071,195	7,943,619	4,192,776	180,686	15,606,802	83,995,610	1,606,119	85,601,729		

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated statements of changes in equity (continued)

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company							Non-controlling interest	Total equity	
	Share capital (Note 45)	Reserves				Retained profits (Note 47)	Total			
		Capital reserve (Note 46)	Surplus reserve (Note 46)	General reserve (Note 46)	Fair value reserve (Note 46)					Translation reserve (Note 46)
As at 1 January 2017	7,162,769	45,837,763	3,071,195	7,943,619	3,775,704	371,471	16,194,936	1,302,740	85,660,197	
Changes in equity for the year										
Profit for the year	-	-	-	-	-	-	9,276,520	-	131,336	9,407,856
Other comprehensive income	-	-	-	-	(2,250,054)	(449,465)	-	-	(17,861)	(2,717,380)
Total comprehensive income	-	-	-	-	(2,250,054)	(449,465)	9,276,520	-	113,475	6,690,476
Capital injection by non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	265,233	265,233
Recognition on disposal of subsidiaries	-	(17,136)	-	-	-	-	-	-	(425,854)	(442,990)
Appropriation to surplus reserve	-	-	848,293	-	-	-	(848,293)	-	-	-
Appropriation to general reserve	-	-	-	2,064,564	-	-	(2,064,564)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	(3,581,384)	(3,581,384)	(1,620)	(3,583,004)
As at 31 December 2017 (Note)	7,162,769	45,820,627	3,919,488	10,008,183	1,525,650	(77,994)	18,977,215	1,253,974	88,589,912	

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated cash flow statements

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2018	2017
			(Note)
Cash flows from operating activities:			
Profit before income tax		4,020,480	3,986,863
Adjustments for:			
Interest expenses		3,530,126	2,708,184
Share of profit of associates and joint ventures		(967,354)	(229,291)
Depreciation and amortisation expenses		296,752	279,944
Provision for impairment losses		62,542	5,945
(Gains) / losses on disposal of property and equipment		(566)	152
Foreign exchange losses		3,965	14,469
Net realised gains from available-for-sale financial assets		-	(1,128,075)
Interest income from financial assets measured at amortised cost		(142,601)	-
Dividend income and interest income from available-for-sale financial assets and held-to-maturity investments		-	(267,252)
Unrealised fair value changes in financial instruments through profit or loss		1,784,969	(145,723)
Unrealised fair value changes in derivatives		(2,129,779)	241,535
		<hr/>	<hr/>
Operating cash flows before movements in working capital		6,458,534	5,466,751
		<hr/>	<hr/>
(Increase) / decrease in refundable deposits		(2,210,243)	9,743
Decrease in margin accounts receivable		7,881,871	4,759,561
Increase in accounts receivable, other receivables and prepayments		(2,243,255)	(1,075,087)
Decrease / (increase) in financial assets held under resale agreements		7,237,621	(3,531,647)
Increase in financial instruments at fair value through profit or loss		(19,345,954)	(11,962,608)

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated cash flow statements (continued)

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2018	2017
			(Note)
Cash flows from operating activities (continued):			
(Increase) / decrease in restricted bank deposits		(3,227,952)	10,649,977
(Increase) / decrease in cash held on behalf of brokerage clients		(200,105)	20,876,358
Increase / (decrease) in accounts payable to brokerage clients		604,312	(15,089,257)
Decrease / (increase) in other payables and accruals		710,720	(12,000,957)
Decrease in employee benefits payable and other non-current liabilities		(1,244,626)	(829,592)
Increase in financial assets sold under repurchase agreements		15,590,079	3,605,003
Increase / (decrease) in placements from financial institutions		8,168,407	(1,150,000)
		-----	-----
Cash generated from / (used in) operations		18,179,409	(271,755)
Income taxes paid		(775,968)	(967,475)
Interest paid		(1,339,390)	(1,012,757)
		-----	-----
Net cash generated from / (used in) operating activities		16,064,051	(2,251,987)
		-----	-----

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated cash flow statements (continued)

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2018	2017
			(Note)
Cash flows from investing activities:			
Proceeds on disposal of property and equipment		3,347	634
Dividends received from associates		110,971	192,870
Interest income from financial assets measured at amortised cost		142,601	-
Dividend income and interest income received from available-for-sale financial assets and other investments		-	267,252
(Payment of) / proceeds from other limited partners' interest in private funds		(124,200)	245,620
Proceeds on disposal of available-for-sale financial assets		-	2,385,310
Purchases of property and equipment, investment properties, other intangible assets and other non-current assets		(228,252)	(303,475)
Increase in investment in associates and joint ventures		(114,650)	(150,316)
Purchase of financial assets measured at amortised cost		(7,323,980)	-
		<hr/>	<hr/>
Net cash (used in) / generated from investing activities		(7,534,163)	2,637,895
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

The notes on pages 133 to 233 form part of these financial statements.

Unaudited consolidated cash flow statements (continued)

For the six months ended 30 June 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2018	2017
			(Note)
Cash flows from financing activities:			
Proceeds from issuance of short-term debt instruments		22,142,710	8,455,800
Proceeds from issuance of long-term bonds		5,924,000	18,000,000
Proceeds / (repayment of) from bank loans		400,082	(13,307)
Repayment of debt securities issued		(35,118,390)	(31,154,010)
Short-term debt instruments interest paid		(274,170)	(26,227)
Short-term bank loan interest paid		(5,976)	-
Long-term bonds interest paid		(2,096,477)	(2,553,471)
Dividends paid		(12,715)	(1,620)
Capital injection from non-controlling shareholders		-	261,144
Payment for other financing activities		-	(2,110)
		-----	-----
Net cash used in financing activities		(9,040,936)	(7,033,801)
		-----	-----
Net decrease in cash and cash equivalents		(511,048)	(6,647,893)
Cash and cash equivalents at the beginning of the period		31,378,585	31,651,614
Effect of foreign exchange rate changes		26,334	(104,616)
		-----	-----
Cash and cash equivalents at the end of the period	36	30,893,871	24,899,105
		=====	=====

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 133 to 233 form part of these financial statements.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 General information

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

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

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

As at 30 June 2018, the Company's registered capital was RMB7,162,769 thousand and the Company has a total of 7,162,769 thousand issued shares of RMB1 each.

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

2 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board. It was authorised for issue on 30 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The consolidated interim financial report do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial report as at and for the year ended 31 December 2017.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is issued on 30 August 2018.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Group's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2018.

3 Changes in significant accounting policies

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from contracts with customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, Prepayment features with negative compensation which have been adopted at the same time as IFRS 9.

Details of the changes in accounting policies are discussed in Note 3(b) for IFRS 9 and Note 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and / or IFRS 15:

	At 31 December 2017	Impact on initial application of IFRS 9	Impact on initial application of IFRS 15	At 1 January 2018
		(Note 3(b))	(Note 3(c))	
Financial assets at fair value through profit or loss	1,796,667	6,593,664	-	8,390,331
Financial assets held under resale agreements	8,424,304	(471)	-	8,423,833
Available-for-sale financial assets	29,766,929	(29,766,929)	-	-
Financial assets at fair value through other comprehensive income	-	11,161,621	-	11,161,621
Financial assets measured at amortised cost	-	3,491,708	-	3,491,708
Deferred tax assets	472,556	357	-	472,913
Total non-current assets	68,431,343	(8,520,050)	-	59,911,293
Cash and bank balances	27,026,130	(3,496)	-	27,022,634
Financial assets at fair value through profit or loss	82,753,755	21,628,823	-	104,382,578
Financial assets held under resale agreements	53,381,011	(6,354)	-	53,374,657
Available-for-sale financial assets	14,816,239	(14,816,239)	-	-
Financial assets measured at amortised cost	-	1,649,895	-	1,649,895
Total current assets	313,051,197	8,452,629	-	321,503,826
Total assets	381,482,540	(67,421)	-	381,415,119
Net current assets	87,115,121	8,452,629	-	95,567,750
Total assets less current liabilities	155,546,464	(67,421)	-	155,479,043
Deferred tax liabilities	(1,931,446)	(2,669)	-	(1,934,115)
Total non-current liabilities	(66,956,552)	(2,669)	-	(66,959,221)
Net assets	88,589,912	(70,090)	-	88,519,822
Reserves	61,195,954	(619,853)	-	60,576,101
Retained profits	18,977,215	549,914	-	19,527,129
Total equity attributable to shareholders of the Company	87,335,938	(69,939)	-	87,265,999
Non-controlling interests	1,253,974	(151)	-	1,253,823
Total equity	88,589,912	(70,090)	-	88,519,822

(b) IFRS 9, Financial Instruments

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and hedge accounting.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained profits and reserves, and the related tax impact at 1 January 2018.

	Increase / (decrease)
Retained profits	
Transferred in from fair value reserve (recycling) relating to financial assets now measured at fair value through profit or loss	960,795
Recognition of additional expected credit losses on financial assets measured at amortised cost	(10,269)
Remeasurement of financial assets at fair value through profit or loss	(67,982)
Transferred out from impairment on available-for-sale financial assets to fair value reserve of financial assets at fair value through other comprehensive income (non-recycling)	3,683
Related tax effect	(241,148)
Appropriation to surplus reserve	(34,366)
Appropriation to general reserve	(60,799)
Impact at 1 January 2018	549,914
Fair value reserve	
Transferred out to retained profits relating to financial assets now measured at fair value through profit or loss	(960,795)
Reversal of fair value reserve due to the classification from available-for-sale assets to financial assets measured at amortised cost	10,676
Transferred in from impairment on available-for-sale financial assets to fair value reserve of financial assets at fair value through profit or loss	(3,683)
Related tax effect	238,784
Impact at 1 January 2018	(715,018)
Non-controlling interests	
Recognition of expected credit losses on financial assets measured at amortised cost	(203)
Related tax effect	52
Impact at 1 January 2018	(151)

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(i) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOCI):

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVOCI. All other debt investments are measured at their fair value.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVOCI. If an equity security is designated as FVOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

(ii) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss (ECL)" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances.

(iii) Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. As the Group does not apply hedge accounting thus the Group has estimated that the hedge accounting requirements of IFRS 9 has no material impact on the Group's financial statements.

The following table shows the original measurement categories for the class (impacted by IFRS 9) of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	At 31 December 2017	Reclassification	Remeasurement	At 1 January 2018
Financial assets carried at amortised cost				
Cash and bank balances	27,026,130	-	(3,496)	27,022,634
Financial assets held under resale agreements	61,805,315	-	(6,825)	61,798,490
Financial assets measured at amortised cost	-	5,141,754	(151)	5,141,603
	<u>88,831,445</u>	<u>5,141,754</u>	<u>(10,472)</u>	<u>93,962,727</u>
Financial assets at fair value through other comprehensive income	-	11,161,621	-	11,161,621
Financial assets at fair value through profit or loss	84,550,422	28,290,469	(67,982)	112,772,909
Financial assets classified as available-for-sale under IAS 39	44,583,168	(44,583,168)	-	-

The measurement categories for all financial liabilities remain the same.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	Increase / (decrease)
Loss allowance at 31 December 2017 under IAS 39	666,116
Additional expected credit loss recognised at 1 January 2018	10,472
Reverse of loss allowance due to the reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (non-recyclable)	(63,044)
Loss allowance at 1 January 2018 under IFRS 9	<u>613,544</u>

(c) IFRS 15, Revenue from contracts with customers

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

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

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

The Group has been impacted by IFRS 15 in relation to the gross up or net presentation of revenue. Except for the impact said above, the application of IFRS 15 does not result in a significant impact on the Group's financial statements as at 1 January 2018.

4 Fee and commission income

	<i>Six months ended 30 June</i>	
	2018	2017
Income from securities brokerage and advisory business	2,572,396	2,802,169
Income from asset management business	1,549,643	2,044,364
Income from underwriting and sponsorship business	622,001	411,569
Income from financial advisory business	198,139	272,685
Income from futures brokerage business	116,093	138,762
Other commission income	34,039	43,273
	<hr/>	<hr/>
Total	5,092,311	5,712,822
	<hr/> <hr/>	<hr/> <hr/>

5 Interest income

	<i>Six months ended 30 June</i>	
	2018	2017
Interest income from margin financing and securities lending	2,102,067	1,996,856
Interest income from securities-backed lending	1,413,794	888,777
Interest income from financial institutions	1,151,824	1,421,962
Interest income from other financial assets held under resale agreements	137,761	97,967
Others	34,255	24,399
	<hr/>	<hr/>
Total	4,839,701	4,429,961
	<hr/> <hr/>	<hr/> <hr/>

6 Net investment gains

	<i>Six months ended 30 June</i>	
	2018	2017
Dividend income and interest income from financial instruments at fair value through profit or loss	2,077,987	1,261,680
Interest income from financial assets measured at amortised cost	142,601	-
Interest income from held-to-maturity investments	-	107
Net realised gains from disposal of available-for-sale financial assets	-	1,128,075
Dividend income and interest income from available-for-sale financial assets	-	267,145
Net realised (losses) / gains from disposal of derivative financial instruments	(308,851)	556,295
Net realised losses from disposal of financial instruments at fair value through profit or loss	(694,722)	(940,409)
Unrealised fair value changes of derivative financial instruments	2,129,779	(241,535)
Unrealised fair value changes of financial instruments at fair value through profit or loss	(1,784,969)	145,723
Others	-	106
Total	1,561,825	2,177,187

7 Other income and gains

	<i>Six months ended 30 June</i>	
	2018	2017
Government grants	147,678	13,276
Rental income	49,327	33,232
Income from hotel operation	43,130	43,210
Gains on disposal of property and equipment	566	194
Income from commodity sales	213,699	-
Foreign exchange losses	(3,965)	(14,469)
Others	35,707	24,702
Total	486,142	100,145

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

8 Fee and commission expenses

	<i>Six months ended 30 June</i>	
	2018	2017
Expenses for securities brokerage and advisory business	799,968	887,951
Expenses for asset management business	370,730	905,057
Expenses for underwriting and sponsorship business	12,404	11,352
Expenses for futures brokerage business	7,285	5,875
Expenses for financial advisory business	47	-
Other commission expenses	5,235	1,533
	<hr/>	<hr/>
Total	1,195,669	1,811,768
	<hr/> <hr/>	<hr/> <hr/>

9 Interest expenses

	<i>Six months ended 30 June</i>	
	2018	2017
Interest expenses on long-term bonds	1,729,361	1,744,394
Interest expenses on financial assets sold under repurchase agreements	661,470	376,899
Interest expenses on short-term debt instruments issued	551,586	68,379
Interest expenses on placements	300,628	138,206
Interest expenses of accounts payable to brokerage clients	134,566	162,678
Interest expenses on gold leasing	109,685	169,963
Interest expenses on short-term bank loans	5,975	10,052
Others	36,855	37,613
	<hr/>	<hr/>
Total	3,530,126	2,708,184
	<hr/> <hr/>	<hr/> <hr/>

10 Staff costs

	<i>Six months ended 30 June</i>	
	2018	2017
Salaries, bonuses and allowances	2,225,006	2,486,608
Contribution to pension schemes	179,311	152,689
Cash-settled share-based payment expenses	18,406	10,595
Other social welfare	233,193	203,640
Total	<u>2,655,916</u>	<u>2,853,532</u>

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

11 Depreciation and amortisation expenses

	<i>Six months ended 30 June</i>	
	2018	2017
Depreciation of property and equipment	111,351	106,574
Depreciation of investment properties	14,464	15,104
Amortisation of other intangible assets	155,334	140,650
Amortisation of leasehold improvements and long-term deferred expenses	15,603	17,616
Total	<u>296,752</u>	<u>279,944</u>

12 Tax and surcharges

	<i>Six months ended 30 June</i>	
	2018	2017
City maintenance and construction tax	27,641	26,420
Education surcharges	21,442	20,850
Others	23,528	20,297
Total	<u>72,611</u>	<u>67,567</u>

13 Other operating expenses

	<i>Six months ended 30 June</i>	
	2018	2017
Cost of commodity sales	213,569	1,220
Rental expenses	172,111	149,420
Business travel expenses	74,739	63,935
Stock exchange fee	71,475	4,607
Products distribution expenses	62,298	93,207
Marketing, advertising and promotion expenses	61,947	55,913
Business entertainment expenses	50,911	46,999
Consulting fees	49,522	51,431
Postal and communication expenses	41,708	47,811
Securities investor protection funds	28,578	112,477
IT expenses	22,188	28,168
Utilities	16,690	21,266
Auditors' remuneration	7,194	6,334
Others	242,340	252,815
Total	1,115,270	935,603

14 Net impairment loss on financial assets

	<i>Six months ended 30 June</i>	
	2018	2017
Provision for impairment losses against financial assets held under resale agreements	69,037	8,728
Provision for / (reversal of) impairment losses against other receivables	12,140	(1,679)
Provision for impairment losses against accounts receivable	3,705	239
Provision for impairment losses against cash and bank balances	2,820	-
Provision for impairment losses against financial assets measured at amortised cost	1,223	-
Reversal of impairment losses against margin accounts receivable	(28,416)	(1,343)
Total	60,509	5,945

15 Income tax expense**(a) Taxation in the consolidated income statements represents:**

	Six months ended 30 June	
	2018	2017
Current income tax		
- Mainland China	441,398	1,439,949
- Hong Kong	-	17,383
- Overseas	55,432	40,961
	<hr/>	<hr/>
	496,830	1,498,293
	<hr/>	<hr/>
Adjustment in respect of prior years		
- Mainland China	3,782	(9,936)
- Hong Kong	-	-
- Overseas	-	-
	<hr/>	<hr/>
	3,782	(9,936)
	<hr/>	<hr/>
Deferred tax Origination and reversal of temporary differences	313,383	(556,061)
	<hr/>	<hr/>
Total	813,995	932,296
	<hr/> <hr/>	<hr/> <hr/>

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

(ii) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2018 (2017: 16.5%). The federal income tax of subsidiaries in the United States were provided at the rate of 21% from 1 January 2018 (2017: maximum marginal rate of 35%), whereas the states' income tax are charged at the applicable local tax rates.

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

	Six months ended 30 June	
	2018	2017
Profit before income tax	4,020,480	3,986,863
National tax calculated using the PRC statutory tax rate	1,005,120	996,716
Tax effect of non-deductible expenses	28,692	19,410
Tax effect of non-taxable income	(197,076)	(99,162)
Tax effect of unused tax losses not recognised	1,513	15,225
Effect of different tax rates of the subsidiary	6,858	7,451
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	(38,974)	-
Adjustment for prior years	3,782	(9,936)
Others	4,080	2,592
Actual income tax expense	813,995	932,296

16 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2018	2017
Weighted average number of ordinary shares (in thousands)	16(a)	7,162,769	7,162,769
Net profit attributable to equity shareholders of the Company (in RMB thousands)		3,158,898	2,993,250
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)		0.44	0.42

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

Weighted average number of ordinary shares (in thousands)

	Six months ended 30 June	
	2018	2017
Number of ordinary shares as at 1 January	7,162,769	7,162,769
Increase in weighted average number of ordinary shares	-	-
Weighted average number of ordinary shares	7,162,769	7,162,769

17 Property and equipment

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2018	3,823,500	153,137	676,102	131,720	59,487	4,843,946
Additions	-	861	54,936	6,585	16,263	78,645
Transfer during the period	-	-	-	-	(41,092)	(41,092)
Transfer in from investment properties	31,790	-	-	-	-	31,790
Disposals	-	(1,617)	(53,354)	(9,304)	-	(64,275)
As at 30 June 2018	3,855,290	152,381	677,684	129,001	34,658	4,849,014
Accumulated depreciation						
As at 1 January 2018	(493,500)	(123,752)	(417,259)	(71,964)	-	(1,106,475)
Charge for the period	(53,553)	(4,432)	(45,539)	(7,827)	-	(111,351)
Transfer in from investment properties	(3,013)	-	-	-	-	(3,013)
Disposals	-	1,530	52,117	9,133	-	62,780
As at 30 June 2018	(550,066)	(126,654)	(410,681)	(70,658)	-	(1,158,059)
Carrying amount						
As at 30 June 2018	3,305,224	25,727	267,003	58,343	34,658	3,690,955

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2017	3,500,382	152,749	651,065	130,826	63,041	4,498,063
Additions	2,819	3,023	78,045	13,665	41,758	139,310
Transfer during the year	41,027	-	-	-	(45,312)	(4,285)
Transfer in from investment properties	284,147	-	-	-	-	284,147
Disposals	(4,875)	(2,635)	(53,008)	(12,771)	-	(73,289)
As at 31 December 2017	3,823,500	153,137	676,102	131,720	59,487	4,843,946
Accumulated depreciation						
As at 1 January 2017	(360,682)	(114,628)	(388,647)	(66,655)	-	(930,612)
Charge for the year	(102,872)	(11,181)	(80,627)	(16,552)	-	(211,232)
Transfer in from investment properties	(31,194)	-	-	-	-	(31,194)
Disposals	1,248	2,057	52,015	11,243	-	66,563
As at 31 December 2017	(493,500)	(123,752)	(417,259)	(71,964)	-	(1,106,475)
Carrying amount						
As at 31 December 2017	3,330,000	29,385	258,843	59,756	59,487	3,737,471

As at 30 June 2018 and 31 December 2017, included in buildings, there is a carrying amount of RMB37,465 thousand and RMB38,308 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

18 Goodwill

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Cost	2,040,399	2,040,399
Effect of exchange rate changes for cost	(44,054)	(68,677)
Less: Provision for impairment losses	-	-
	<hr/>	<hr/>
Carrying amount	1,996,345	1,971,722
	<hr/> <hr/>	<hr/> <hr/>

19 Other intangible assets

	Land use rights	Existing relationships with broker-dealers	Trade names	Software and others	Total
Cost					
As at 1 January 2018	359,161	3,727,631	299,463	1,445,500	5,831,755
Additions	-	-	-	168,973	168,973
Disposals	-	-	-	(141)	(141)
Exchange differences	-	47,007	3,777	10,435	61,219
As at 30 June 2018	359,161	3,774,638	303,240	1,624,767	6,061,806
Accumulated amortisation					
As at 1 January 2018	(70,927)	-	(20,868)	(602,211)	(694,006)
Charge for the period	(3,598)	-	(9,271)	(142,465)	(155,334)
Disposals	-	-	-	77	77
Exchange differences	-	-	428	1,888	2,316
As at 30 June 2018	(74,525)	-	(29,711)	(742,711)	(846,947)
Carrying amount					
As at 30 June 2018	284,636	3,774,638	273,529	882,056	5,214,859

	Land use rights	Existing relationships with broker-dealers	Trade names	Software and others	Total
Cost					
As at 1 January 2017	359,161	3,957,420	317,923	1,427,847	6,062,351
Additions	-	-	-	201,540	201,540
Disposals	-	-	-	(169,849)	(169,849)
Exchange differences	-	(229,789)	(18,460)	(14,038)	(262,287)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2017	359,161	3,727,631	299,463	1,445,500	5,831,755
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated amortisation					
As at 1 January 2017	(63,731)	-	(2,650)	(486,946)	(553,327)
Charge for the year	(7,196)	-	(18,542)	(257,635)	(283,373)
Disposals	-	-	-	142,123	142,123
Exchange differences	-	-	324	247	571
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2017	(70,927)	-	(20,868)	(602,211)	(694,006)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount					
As at 31 December 2017	288,234	3,727,631	278,595	843,289	5,137,749
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

20 Interest in associates

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Share of net assets	9,583,971	8,895,908

The following list contains only the particulars of material associates, all of which (except for Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu") which has been listed on the Shanghai Stock Exchange) are unlisted corporate entities whose quoted market price is not available:

Name of associates	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Bank of Jiangsu	Nanjing	11,544,450	5.54%	5.54%	-	Commercial banking
China Southern Asset Management Co., Ltd.	Shenzhen	300,000	45.00%	45.00%	-	Fund management

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

21 Interest in joint ventures

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Share of net assets	616,099	-

The following list contains only the particular joint venture, which is accounted for using the equity method in the consolidated financial statements, is as follow:

Name of joint venture	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	Nanjing	10,001,000	10.00%	-	10.00%	Equity investment

As at 30 June 2018, the Group holds 10.00% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the partnership agreement, the Group and the third party contractually agree to share control of the fund, and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

22 Financial assets measured at amortised cost**(a) Analysed by nature:**

Non-current

	<i>As at 30 June 2018</i>
Debt securities	11,022,994
Less: Impairment losses	(1,228)
	<hr/>
Total	11,021,766
	<hr/> <hr/>

Current

	<i>As at 30 June 2018</i>
Debt securities	1,442,741
Less: Impairment losses	(146)
	<hr/>
Total	1,442,595
	<hr/> <hr/>

As at 30 June 2018, the Group has pledged financial assets measured at amortised cost investment with a total fair value of RMB8,396,914 thousand and carrying amount of RMB8,397,379 thousand for the purpose of repurchase agreement business. The fair values of these securities have taken into account the relevant features including the restrictions.

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

	<i>As at 30 June 2018</i>
At the beginning of the period	151
Charge for the period	1,229
Reversal of impairment	(6)
	<hr/>
At the end of the period	1,374
	<hr/> <hr/>

23 Financial assets at fair value through other comprehensive income

Non-current

	<i>As at 30 June 2018</i>
Equity Securities designated at FVOCI	
- Unlisted equity securities	82,294
- Other unlisted equity investment ⁽ⁱ⁾	10,637,383
	<hr/>
Total	10,719,677
	<hr/> <hr/>

(i) As at 30 June 2018, the financial assets at fair value through other comprehensive income above contained the special account investment. The Company has entered into the agreement with China Securities Finance Corporation Limited (CSF), contributed to the special account established and managed by CSF for unified operation. Risk and income arising from the investment shall be shared by all securities firms according to the proportion of their respective contribution. As at 30 June 2018 and 31 December 2017, the fair value of the Company's contribution recognised by the Company was RMB10,637 million and RMB11,096 million (recognised as available-for-sale financial assets under IAS 39 and disclosed in Note 24), based on the investment account statement provided by CSF. The Group designated the special amount investment at financial assets at fair value through other comprehensive income (non-recycling) as the investment is not held for trading.

24 Available-for-sale financial assets

Non-current

	<i>As at 31 December 2017</i>
At fair value:	
- Equity securities	6,548,624
- Debt securities	11,883,339
- Funds	10,057
- Wealth management products	11,324,909
At cost:	
- Equity securities	5,716
Less: Impairment losses	(5,716)
Total	29,766,929
Analysed as:	
Listed outside Hong Kong	9,359,410
Unlisted	20,407,519
Total	29,766,929

Current

		<i>As at 31 December 2017</i>
At fair value:		
- Equity securities		10,510,861
- Debt securities		3,223,006
- Funds		156,423
- Wealth management products		983,276
Less: Impairment losses		(57,327)
Total		<u>14,816,239</u>
Analysed as:		
Listed outside Hong Kong		12,153,725
Listed inside Hong Kong		8,621
Unlisted		2,653,893
Total		<u><u>14,816,239</u></u>

Available-for-sale financial assets were reclassified to financial assets measured at amortised cost, equity securities designated at financial assets at fair value through other comprehensive income (non-recycling) and financial assets at fair value through profit or loss upon the initial application of IFRS 9 at 1 January 2018 (see Note 3).

25 Financial assets at fair value through profit or loss

Non-current

(a) Analysed by type:

	<i>As at 30 June 2018</i>
Equity securities	6,311,532
Wealth management products	221,627
Funds	18,673
Total	6,551,832

	<i>As at 31 December 2017</i>
Financial assets designated at fair value through profit or loss:	
- Wealth management products	1,796,667
Total	1,796,667

(b) Analysed as:

		<i>As at 30 June 2018</i>
Financial assets at fair value through profit or loss		
- Unlisted		6,551,832
Total		6,551,832

		<i>As at 31 December 2017</i>
Financial assets designated at fair value through profit or loss		
- Unlisted		1,796,667
Total		1,796,667

Current

(a) Analysed by type:

	<i>As at 30 June 2018</i>
Debt securities	78,082,700
Funds	18,992,753
Equity securities	16,770,272
Wealth management products	4,540,801
	<hr/>
Total	118,386,526
	<hr/> <hr/>
	<i>As at 31 December 2017</i>
Held for trading:	
- Debt securities	55,045,651
- Funds	17,460,228
- Equity securities	7,644,385
- Wealth management products	2,603,491
	<hr/>
Total	82,753,755
	<hr/> <hr/>

(b) Analysed as:

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Listed outside Hong Kong	61,758,280	38,740,252
Listed in Hong Kong	3,435,947	2,709,081
Unlisted	53,192,299	41,304,422
	<hr/>	<hr/>
Total	118,386,526	82,753,755
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2018, the fund investments with lock-up periods in its investment portfolio held by the Group are RMB18,673 thousand. The fair values of these funds have taken into account the relevant features including the restrictions.

As at 30 June 2018, the listed equity securities held by the Group included approximately RMB503,369 thousand of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. The value of the securities is measured by comparing with comparable companies that are listed and in the same sector or measured by using other valuation techniques.

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

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

As at 30 June 2018, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss investments with total fair value of RMB969,828 thousand to external clients, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 31(c) together with the fair value of collaterals of margin financing business.

As at 30 June 2018, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB1,113,637 thousand to CSF for the purpose of replacement. The fair values of these securities have taken into account the relevant features including the restrictions.

As at 30 June 2018, the Group has pledged financial assets at fair value through profit or loss investment with a total fair value of RMB34,175,551 thousand for the purpose of repurchase agreement business and bond lending business. The fair values of these securities have taken into account the relevant features including the restrictions.

26 Refundable deposits

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	365,766	501,501
- Hong Kong Securities Clearing Company Limited	12,514	12,897
	<hr/>	<hr/>
	378,280	514,398
	<hr/>	<hr/>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	2,818,179	1,780,405
- Shanghai Futures Exchange	1,990,276	1,719,349
- Dalian Commodity Exchange	1,383,726	1,383,878
- Zhengzhou Commodity Exchange	1,166,081	1,001,240
- Shanghai International Energy Exchange	271,151	-
- Overseas Commodity Exchange	126,838	30,052
	<hr/>	<hr/>
	7,756,251	5,914,924
	<hr/>	<hr/>
Deposits with other institutions		
- China Securities Finance Corporation Limited	1,238,090	771,339
- Shanghai Clearing House	96,328	101,324
- Shanghai Gold Exchange	300	300
- Others financial institutions	43,279	-
	<hr/>	<hr/>
	1,377,997	872,963
	<hr/>	<hr/>
Total	9,512,528	7,302,285
	<hr/> <hr/>	<hr/> <hr/>

27 Deferred taxation

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

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at fair value through other comprehensive income	Intangible assets recognised in the acquisition	Others	Total
As at 31 December 2017	174,630	1,547,359	(257,295)	303,757	(392,060)	-	(1,189,098)	(1,646,183)	(1,458,890)
Impact on initial application of IFRS9	(15,404)	-	(131,799)	-	392,060	(272,986)	-	25,817	(2,312)
As at 1 January 2018	159,226	1,547,359	(389,094)	303,757	-	(272,986)	(1,189,098)	(1,620,366)	(1,461,202)
Recognised in profit or loss	15,707	93,455	375,726	(497,369)	-	-	19,629	(320,551)	(313,383)
Recognised in reserves	-	-	-	-	-	110,486	-	-	110,486
As at 30 June 2018	174,933	1,640,814	(13,368)	(193,612)	-	(162,500)	(1,169,469)	(1,940,897)	(1,664,099)
As at 1 January 2017	111,222	1,302,235	(309,823)	179,051	(1,242,901)	-	(1,735,046)	(310,788)	(2,006,050)
Recognised in profit or loss	63,408	245,124	52,528	124,706	-	-	545,948	(1,334,498)	(302,784)
Recognised in reserves	-	-	-	-	850,841	-	-	(897)	849,944
As at 31 December 2017	174,630	1,547,359	(257,295)	303,757	(392,060)	-	(1,189,098)	(1,646,183)	(1,458,890)

(b) Reconciliation to the statements of financial position

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Net deferred tax assets recognised in the statement of financial position	449,484	472,556
Net deferred tax liabilities recognised in the statement of financial position	(2,113,583)	(1,931,446)
Total	<u>(1,664,099)</u>	<u>(1,458,890)</u>

(c) Deferred tax assets not recognised

As at 30 June 2018 and 31 December 2017, the Group has not recognised unused tax losses of RMB1,174,100 thousand and RMB1,323,946 thousand respectively as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The related tax losses do not expire under current tax legislation.

28 Other non-current assets**(a) Analysed by nature:**

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Leasehold improvements and long-term deferred expenses	82,424	81,047
Other receivables	218,450	-
Total	<u>300,874</u>	<u>81,047</u>

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Balance at beginning of the period / year	81,047	79,070
Additions	13,577	36,206
Transfer in from property and equipment	3,403	4,285
Amortisation	(15,603)	(38,514)
	<hr/>	<hr/>
Balance at end of the period / year	<u>82,424</u>	<u>81,047</u>

29 Accounts receivable**(a) Analysed by nature:**

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Accounts receivable of:		
- Return swap	675,358	191,329
- Fee and commission	581,495	524,805
- Brokers, dealers and clearing house	559,510	85,081
- Settlement	478,913	428,818
- Subscription receivable	123,654	142,612
- Redemption of open-ended fund	24,173	409,186
- Others	308,101	208,424
Less: Provision for impairment losses	(12,248)	(9,918)
	<hr/>	<hr/>
Total	<u>2,738,956</u>	<u>1,980,337</u>

(b) Analysed by aging:

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Within 1 month	2,044,839	1,498,523
1 to 3 months	429,681	372,601
Over 3 months	264,436	109,213
	<hr/>	<hr/>
Total	<u>2,738,956</u>	<u>1,980,337</u>

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
At the beginning of the period / year	9,918	4,624
Charge for the period / year	3,705	10,561
Amounts written-off	(1,375)	(5,267)
	<hr/>	<hr/>
At the end of the period / year	<u>12,248</u>	<u>9,918</u>

(d) Accounts receivable that is not impaired

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

30 Other receivables and prepayments

(a) Analysed by nature:

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Interest receivable	6,522,714	5,630,981
Other receivables ⁽¹⁾	889,493	630,376
Dividend receivables	307,070	-
Deferred expenses	62,920	71,718
Others	417,711	341,033
Less: Impairment losses	(427,370)	(414,547)
	<hr/>	<hr/>
Total	7,772,538	6,259,561
	<hr/> <hr/>	<hr/> <hr/>

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

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
At the beginning of the period / year	414,547	339,235
Charge for the period / year	28,206	79,267
Reversal of impairment	(14,033)	(3,824)
Amounts written-off	(1,350)	(131)
	<hr/>	<hr/>
At the end of the period / year	427,370	414,547
	<hr/> <hr/>	<hr/> <hr/>

31 Margin accounts receivable**(a) Analysed by nature:**

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Individuals	49,789,297	57,810,197
Institutions	2,460,503	2,321,474
Less: Impairment losses	(111,801)	(140,217)
	<hr/>	<hr/>
Total	<u>52,137,999</u>	<u>59,991,454</u>

As at 30 June 2018 and 31 December 2017, the amount of margin accounts receivable which the Group transfers to the securitisation vehicle is RMB1,052,300 thousand and nil, respectively, which did not result in derecognition of the financial assets. The securitisation vehicle issued asset-backed securities to investors with the purchased assets as the underlying assets.

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
At the beginning of the period / year	140,217	59,134
Charge for the period / year	23,009	89,909
Reversal of impairment	(51,425)	(8,826)
	<hr/>	<hr/>
At the end of the period / year	<u>111,801</u>	<u>140,217</u>

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Fair value of collaterals:		
- Equity securities	128,848,645	159,051,344
- Cash	8,089,465	7,461,800
- Funds	1,498,269	683,609
- Debt securities	193,331	65,559
	<hr/>	<hr/>
Total	138,629,710	167,262,312
	<hr/> <hr/>	<hr/> <hr/>

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

32 Derivative financial instruments

	As at 30 June 2018		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	48,065,865	31,233	(12,562)
- Treasury futures	50,865	-	(2,013)
- Interest rate swap	48,015,000	31,233	(10,549)
Currency derivatives	5,728,707	13,515	(998)
- Currency swaps	5,728,707	13,515	(998)
Equity derivatives	26,217,154	1,776,858	(560,040)
- Stock index futures	5,337,202	7,623	(194,361)
- Equity return swaps	2,457,422	193,793	(298,056)
- Exchange-traded options	208,416	2,486	(9,069)
- Over-the-counter options	18,214,114	1,572,956	(58,554)
Credit derivatives	99,249	1,294	(639)
- Credit default swaps	99,249	1,294	(639)
Others	7,193,230	-	(384,129)
- Forward contracts	7,192,145	-	(384,117)
- Commodity futures	1,085	-	(12)
Total	87,304,205	1,822,900	(958,368)
Less: settlement		(27,496)	194,263
Net position		1,795,404	(764,105)

	As at 31 December 2017		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	48,494,434	12,003	(6,373)
- Treasury futures	1,149,434	900	-
- Interest rate swap	47,345,000	11,103	(6,373)
Currency derivatives	457,394	-	(17,341)
- Currency swaps	457,394	-	(17,341)
Equity derivatives	49,428,114	392,326	(1,085,559)
- Stock index futures	266,835	3,607	(639)
- Equity return swaps	4,162,375	96,627	(828,925)
- Exchange-traded options	2,527,561	37,491	(29,510)
- Over-the-counter options	42,471,343	254,601	(226,485)
Credit derivatives	130,684	-	(1,854)
- Credit default swaps	130,684	-	(1,854)
Others	11,947,244	-	(531,163)
- Forward contracts	11,945,665	-	(531,129)
- Commodity futures	278	-	(7)
- Commodity futures	1,301	-	(27)
Total	110,457,870	404,329	(1,642,290)
Less: settlement		(12,615)	7
Net position		391,714	(1,642,283)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures and treasury futures settled in China Financial Futures Exchange and certain commodity futures traded through Huatai Futures Co. Ltd. ("Huatai Futures"), were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at 30 June 2018 and 31 December 2017.

33 Clearing settlement funds

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	1,542,334	1,143,758
- Hong Kong Securities Clearing Company Limited	8,314	3,349
Deposits with other institutions	1,696	341
Total	<u>1,552,344</u>	<u>1,147,448</u>

34 Cash held on behalf of brokerage clients

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

35 Cash and bank balances**(a) Analysed by nature:**

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Cash on hand	186	194
Bank balances	27,328,067	27,025,936
Less: Impairment losses	(6,316)	-
	<hr/>	<hr/>
Total	27,321,937	27,026,130
	<hr/> <hr/>	<hr/> <hr/>

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

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

	<i>As at 30 June 2018</i>
At the beginning of the period	3,496
Charge for the period	3,205
Reversal of impairment	(385)
	<hr/>
At the end of the period	6,316
	<hr/> <hr/>

36 Cash and cash equivalents

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Cash on hand	186	194
Bank balances	27,321,751	27,025,936
Clearing settlement funds	1,552,344	1,147,448
Financial assets held under resale agreements within 3 months original maturity	15,494,518	13,458,300
Less: restricted bank deposits	(13,474,928)	(10,253,293)
	<hr/>	<hr/>
Total	30,893,871	31,378,585
	<hr/> <hr/>	<hr/> <hr/>

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, minimum liquid capital restriction deposits and risk reserve deposits.

37 Short-term bank loans

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Bank loans	400,082	-
	<hr/> <hr/>	<hr/> <hr/>

As of June 30, 2018, the interest rates for short-term loans were 3.82% - 4.75%.

38 Short-term debt instruments issued

As at 30 June 2018

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
17 HUATAI 05 ⁽¹⁾	RMB4,000,000	11/08/2017	11/08/2018	RMB4,000,000	4.65%
17 HUATAI C3 ⁽²⁾	RMB2,000,000	14/09/2017	14/09/2018	RMB2,000,000	5.00%
17 HUATAI 07 ⁽³⁾	RMB4,000,000	20/11/2017	20/11/2018	RMB4,000,000	5.20%
18 HUATAI D1 ⁽⁴⁾	RMB4,600,000	11/06/2018	11/06/2019	RMB4,600,000	5.00%
Structured notes ⁽⁵⁾	RMB14,680,330	Note(5)	Note(5)	RMB14,680,330	Note(5)

Name	Book value as at 1 January 2018 RMB equivalent	Increase RMB equivalent	Amount of amortisation RMB equivalent	Decrease RMB equivalent	Book value as at 30 June 2018 RMB equivalent
17 HUATAI 05 ⁽¹⁾	4,000,000	-	-	-	4,000,000
17 HUATAI C3 ⁽²⁾	2,000,000	-	-	-	2,000,000
17 HUATAI 07 ⁽³⁾	4,000,000	-	-	-	4,000,000
18 HUATAI D1 ⁽⁴⁾	-	4,600,000	-	-	4,600,000
Structured notes ⁽⁵⁾	16,656,010	17,542,710	-	(19,518,390)	14,680,330
Total	26,656,010	22,142,710	-	(19,518,390)	29,280,330

As at 31 December 2017

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
17 HUATAI 05 ⁽¹⁾	RMB4,000,000	11/08/2017	11/08/2018	RMB4,000,000	4.65%
17 HUATAI C3 ⁽²⁾	RMB2,000,000	14/09/2017	14/09/2018	RMB2,000,000	5.00%
17 HUATAI 07 ⁽³⁾	RMB4,000,000	20/11/2017	20/11/2018	RMB4,000,000	5.20%
Structured notes	RMB16,656,010	-	-	RMB16,656,010	-

Name	Book value as at 1 January 2017 RMB equivalent	Increase RMB equivalent	Amount of amortisation RMB equivalent	Decrease RMB equivalent	Book value as at 31 December 2017 RMB equivalent
17 HUATAI 05 ⁽¹⁾	-	4,000,000	-	-	4,000,000
17 HUATAI C3 ⁽²⁾	-	2,000,000	-	-	2,000,000
17 HUATAI 07 ⁽³⁾	-	4,000,000	-	-	4,000,000
Structured notes	1,621,000	32,258,270	-	(17,223,260)	16,656,010
Structured notes	1,621,000	42,258,270	-	(17,223,260)	26,656,010

- (1) The Company has issued a 1-year corporate bond with a total nominal amount of RMB4 billion on 11 August 2017.
- (2) The Company has issued a 1-year subordinated bond with a total nominal amount of RMB2 billion on 14 September 2017.
- (3) The Company has issued a 1-year corporate bond with a total nominal amount of RMB4 billion on 20 November 2017.
- (4) The Company has issued a 1-year corporate bond with a total nominal amount of RMB4.6 billion on 11 June 2018.
- (5) As of June 30, 2018, the Company has issued 1,033 tranches of structured notes, the unexpired structured notes can be classified into two categories: fixed interest rate and floating interest rate. The fixed rate structured notes range from 4.34% to 6.81%, repayable within 1 year. The floating rate structured notes can be expired anytime within the contract period once the conditions are met. Structured notes repayable more than 1 year are classified as "Long-term bonds" (Note 44).

39 Placements from financial institutions

Non-current

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Placements from banks	972,983	-
Total	972,983	-

Current

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Placements from China Securities Finance Co., Ltd.	9,500,000	6,500,000
Placements from banks	4,725,422	529,998
Total	14,225,422	7,029,998

As at 30 June 2018, the placements from China Securities Finance Co., Ltd. are secured by the securities investment held by the Group, bearing interest of 5.10% per annum, with maturities within 151 days and the interbank lendings are unsecured, bearing interest of 3.13%-6.00% per annum, with maturities within 475 days.

40 Accounts payable to brokerage clients

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Clients' deposits for other brokerage business	59,660,167	59,717,526
Clients' deposits for margin financing and securities lending	8,279,690	7,618,019
	<hr/>	<hr/>
Total	67,939,857	67,335,545
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

41 Other payables and accruals

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Payables to interest holders of consolidated structured entities ⁽¹⁾	50,936,548	51,519,774
Trade payable	4,214,736	3,002,452
Payable to open-ended funds	2,873,263	1,332,196
Interest payable	2,192,113	2,382,951
Payable for asset-backed securities asset management scheme ⁽²⁾	950,000	-
Settlement payables	683,949	750,436
Payable for office building construction	448,064	663,683
Other tax payable	309,937	544,039
Dividend to be converted to the investment capital of consolidated structured entities	184,840	214,259
Futures risk reserve	104,304	98,750
Payable to brokerage agents	68,984	38,961
Fee and commission payable	65,634	206,920
Payable to the securities investors protection fund	44,738	92,159
Redemption payables	30,502	1,022,606
Others ⁽³⁾	977,505	746,049
	<hr/>	<hr/>
Total	64,085,117	62,615,235
	<hr/> <hr/>	<hr/> <hr/>

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

(2) The fund amounting to RMB950,000 thousand raised by the securitisation vehicle, which is consolidated by the Group, is recognised as a financial liability.

(3) The balance of others mainly represents deposits of underwriting securities and sundry payables arising from normal course of business.

42 Financial liabilities at fair value through profit or loss

Non-current

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Financial liabilities designated at fair value through profit or loss	2,051,256	2,345,668

Current

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Financial liabilities held for trading	7,499,933	11,907,337
Financial liabilities designated at fair value through profit or loss	71,525	128,323
Total	7,571,458	12,035,660

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

The amount of change in the fair value of the financial liabilities designated at fair value through profit or loss that is attributable to changes in the credit risk is nil as at 30 June 2018.

43 Long-term bonds due within one year

As at 30 June 2018

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01 ⁽¹⁾	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
15 HUATAI 03 ⁽²⁾	RMB5,000,000	20/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI G1 ⁽³⁾	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
17 HUATAI 01 ⁽⁴⁾	RMB6,000,000	24/02/2017	24/08/2018	RMB6,000,000	4.50%
17 HUATAI 03 ⁽⁵⁾	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 06 ⁽⁶⁾	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
Structured notes ⁽⁷⁾	RMB3,100,000	Note (7)	Note (7)	RMB3,100,000	5.15%-5.40%

Name	Book value as at 1 January 2018 RMB equivalent	Increase RMB equivalent	Amount of amortisation RMB equivalent	Decrease RMB equivalent	Book value as at 30 June 2018 RMB equivalent
13 HUATAI 01 ⁽¹⁾	3,999,226	-	774	(4,000,000)	-
15 HUATAI 03 ⁽²⁾	5,000,000	-	-	(5,000,000)	-
15 HUATAI G1 ⁽³⁾	6,598,254	-	1,746	(6,600,000)	-
17 HUATAI 01 ⁽⁴⁾	6,000,000	-	-	-	6,000,000
17 HUATAI 03 ⁽⁵⁾	-	4,000,000	-	-	4,000,000
17 HUATAI 06 ⁽⁶⁾	-	5,000,000	-	-	5,000,000
Structured notes ⁽⁷⁾	-	3,100,000	-	-	3,100,000
Total	21,597,480	12,100,000	2,520	(15,600,000)	18,100,000

As at 31 December 2017

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01 ⁽¹⁾	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
15 HUATAI 01	RMB6,000,000	22/01/2015	23/01/2017	RMB6,000,000	5.90%
15 HUATAI 03 ⁽²⁾	RMB5,000,000	20/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI 04	RMB18,000,000	25/06/2015	26/06/2017	RMB18,000,000	5.50%
15 HUATAI G1 ⁽³⁾	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
17 HUATAI 01 ⁽⁴⁾	RMB6,000,000	24/02/2017	24/08/2018	RMB6,000,000	4.50%
Structured notes	RMB1,900,000	-	-	RMB1,900,000	2.40% - 5.00%

Name	Book value as at 1 January 2017 RMB equivalent	Increase RMB equivalent	Amount of amortisation RMB equivalent	Decrease RMB equivalent	Book value as at 31 December 2017 RMB equivalent
13 HUATAI 01 ⁽¹⁾	-	3,997,332	1,894	-	3,999,226
15 HUATAI 01	6,000,000	-	-	(6,000,000)	-
15 HUATAI 03 ⁽²⁾	-	5,000,000	-	-	5,000,000
15 HUATAI 04	18,000,000	-	-	(18,000,000)	-
15 HUATAI G1 ⁽³⁾	-	6,594,798	3,456	-	6,598,254
17 HUATAI 01 ⁽⁴⁾	-	6,000,000	-	-	6,000,000
Structured notes	1,900,000	-	-	(1,900,000)	-
Total	25,900,000	21,592,130	5,350	(25,900,000)	21,597,480

(1) The Company has issued 5-year corporate bond with a nominal amount of RMB4 billion on 5 June 2013. The Company fully redeemed the corporate bond on 5 June 2018.

(2) The Company has issued 5-year subordinated bond with a total nominal amount of RMB5 billion on 20 April 2015. The Company fully redeemed the subordinated bond on 21 April 2018.

(3) The Company has issued a 3-year corporate bond with a total nominal amount of RMB6.6 billion on 29 June 2015. The Company fully redeemed the corporate bond on 29 June 2018.

(4) The Company has issued a 1.5-year corporate bond with a total nominal amount of RMB6 billion on 24 February 2017.

(5) The Company has issued a 2-year corporate bond with a total nominal amount of RMB4 billion on 15 May 2017.

(6) The Company has issued a 1.5-year corporate bond with a total nominal amount of RMB5 billion on 19 October 2017.

(7) As at 30 June 2018, RMB3.1 billion of structured notes would mature within one year.

44 Long-term bonds

As at 30 June 2018

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 02 ⁽¹⁾	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
HUATAI B1910 ⁽²⁾	US\$400,000	08/10/2014	08/10/2019	US\$399,665	3.625%
16 HUATAI C1 ⁽³⁾	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI C2 ⁽³⁾	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1 ⁽⁴⁾	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G2 ⁽⁴⁾	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G3 ⁽⁵⁾	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
16 HUATAI G4 ⁽⁵⁾	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02 ⁽⁶⁾	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03 ⁽⁷⁾	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04 ⁽⁷⁾	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2 ⁽⁸⁾	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
17 HUATAI 06 ⁽⁹⁾	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
18 HUATAI C1 ⁽¹⁰⁾	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2 ⁽¹¹⁾	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
Structured notes ⁽¹²⁾	RMB1,074,000	Note (12)	Note (12)	RMB1,074,000	Note (12)

Name	Book value as at 1 January 2018 RMB equivalent	Increase RMB equivalent	Amount of amortisation RMB equivalent	Decrease RMB equivalent	Foreign exchange impact RMB equivalent	Book value as at 30 June 2018 RMB equivalent
13 HUATAI 02 ⁽¹⁾	5,992,319	-	647	-	-	5,992,966
HUATAI B1910 ⁽²⁾	2,608,477	-	1,783	-	33,251	2,643,511
16 HUATAI C1 ⁽³⁾	5,000,000	-	-	-	-	5,000,000
16 HUATAI C2 ⁽³⁾	3,000,000	-	-	-	-	3,000,000
16 HUATAI G1 ⁽⁴⁾	3,500,000	-	-	-	-	3,500,000
16 HUATAI G2 ⁽⁴⁾	2,500,000	-	-	-	-	2,500,000
16 HUATAI G3 ⁽⁵⁾	5,000,000	-	-	-	-	5,000,000
16 HUATAI G4 ⁽⁵⁾	3,000,000	-	-	-	-	3,000,000
17 HUATAI 02 ⁽⁶⁾	2,000,000	-	-	-	-	2,000,000
17 HUATAI 03 ⁽⁷⁾	4,000,000	-	-	(4,000,000)	-	-
17 HUATAI 04 ⁽⁷⁾	6,000,000	-	-	-	-	6,000,000
17 HUATAI C2 ⁽⁸⁾	5,000,000	-	-	-	-	5,000,000
17 HUATAI 06 ⁽⁹⁾	5,000,000	-	-	(5,000,000)	-	-
18 HUATAI C1 ⁽¹⁰⁾	-	1,000,000	-	-	-	1,000,000
18 HUATAI C2 ⁽¹¹⁾	-	2,800,000	-	-	-	2,800,000
Structured notes ⁽¹²⁾	3,000,000	1,174,000	-	(3,100,000)	-	1,074,000
Total	55,600,796	4,974,000	2,430	(12,100,000)	33,251	48,510,477

As at 31 December 2016

Name	Par value Original currency	Issuance date	Due date	Issue amount Original currency	Nominal interest rate
13 HUATAI 01 ⁽¹⁾	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02 ⁽¹⁾	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
HUATAI B1910 ⁽²⁾	US\$400,000	08/10/2014	08/10/2019	US\$399,665	3.625%
15 HUATAI 03	RMB5,000,000	20/04/2015	21/04/2020	RMB5,000,000	5.80%
15 HUATAI G1	RMB6,600,000	29/06/2015	29/06/2018	RMB6,600,000	4.20%
16 HUATAI C1 ⁽³⁾	RMB5,000,000	14/10/2016	14/10/2021	RMB5,000,000	3.30%
16 HUATAI C2 ⁽³⁾	RMB3,000,000	21/10/2016	21/10/2019	RMB3,000,000	3.12%
16 HUATAI G1 ⁽⁴⁾	RMB3,500,000	06/12/2016	06/12/2019	RMB3,500,000	3.57%
16 HUATAI G2 ⁽⁴⁾	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G3 ⁽⁵⁾	RMB5,000,000	14/12/2016	14/12/2019	RMB5,000,000	3.79%
16 HUATAI G4 ⁽⁵⁾	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
16 HUATAIQI	RMB600,000	18/07/2016	18/07/2020	RMB600,000	3.94%
17 HUATAI 01	RMB6,000,000	24/02/2017	24/08/2018	RMB6,000,000	4.50%
17 HUATAI 02 ⁽⁶⁾	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 03 ⁽⁷⁾	RMB4,000,000	15/05/2017	15/05/2019	RMB4,000,000	5.00%
17 HUATAI 04 ⁽⁷⁾	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2 ⁽⁸⁾	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
17 HUATAI 06 ⁽⁹⁾	RMB5,000,000	19/10/2017	19/04/2019	RMB5,000,000	4.98%
Structured notes	RMB3,000,000	26/12/2017	26/02/2019	RMB3,000,000	5.15%

Name	Book value as at 1 January 2017 RMB equivalent	Increase RMB equivalent	Amount of amortisation RMB equivalent	Decrease RMB equivalent	Foreign exchange impact RMB equivalent	Book value as at 31 December 2017 RMB equivalent
13 HUATAI 01(1)	3,997,332	-	-	(3,997,332)	-	-
13 HUATAI 02(1)	5,991,065	-	1,254	-	-	5,992,319
HUATAI B1910(2)	2,764,621	-	3,785	-	(159,929)	2,608,477
15 HUATAI 03	5,000,000	-	-	(5,000,000)	-	-
15 HUATAI G1	6,594,798	-	-	(6,594,798)	-	-
16 HUATAI C1(3)	5,000,000	-	-	-	-	5,000,000
16 HUATAI C2(3)	3,000,000	-	-	-	-	3,000,000
16 HUATAI G1(4)	3,500,000	-	-	-	-	3,500,000
16 HUATAI G2(4)	2,500,000	-	-	-	-	2,500,000
16 HUATAI G3(5)	5,000,000	-	-	-	-	5,000,000
16 HUATAI G4(5)	3,000,000	-	-	-	-	3,000,000
16 HUATAIQI	600,000	-	-	(600,000)	-	-
17 HUATAI 01	-	6,000,000	-	(6,000,000)	-	-
17 HUATAI 02(6)	-	2,000,000	-	-	-	2,000,000
17 HUATAI 03(7)	-	4,000,000	-	-	-	4,000,000
17 HUATAI 04(7)	-	6,000,000	-	-	-	6,000,000
17 HUATAI C2(8)	-	5,000,000	-	-	-	5,000,000
17 HUATAI 06(9)	-	5,000,000	-	-	-	5,000,000
Structured notes	3,000,000	3,000,000	-	(3,000,000)	-	3,000,000
Total	49,947,816	31,000,000	5,039	(25,192,130)	(159,929)	55,600,796

- (1) The Company has issued 5-year corporate bond with a nominal amount of RMB4 billion and a 10-year corporate bond with a nominal amount of RMB6 billion on 5 June 2013. These two tranches of corporate bonds were listed in the Shanghai Stock Exchange on 17 July 2013. As at 30 June 2018, 13 HUATAI 01 corporate bonds were redeemed on 5 June 2018 (Note 43 (1)).
- (2) Huatai International Finance I Limited, the Company's Hong Kong subsidiary, has issued a 5-year bond with a nominal amount of USD0.4 billion on 8 October 2014. The bond was guaranteed by the Bank of China Limited. The Company has provided counter-guarantee to the Bank of China Limited.
- (3) The Company has issued a 5-year subordinated bond with a total nominal amount of RMB5 billion on 14 October 2016 and a 3-year subordinated bond with a total nominal amount of RMB3 billion on 21 October 2016. The Company has the option to redeem the 5-year subordinated bond at the end of the third year since its issuance and redeem the 3-year subordinated bond at the end of the second year since its issuance.
- (4) The Company has issued a 3-year corporate bond with a total nominal amount of RMB3.5 billion and a 5-year corporate bond with a total nominal amount of RMB2.5 billion on 6 December 2016.
- (5) The Company has issued a 3-year corporate bond with a total nominal amount of RMB5 billion and a 5-year corporate bond with a total nominal amount of RMB3 billion on 14 December 2016.
- (6) The Company has issued a 3-year corporate bond with a total nominal amount of RMB2 billion on 24 February 2017.
- (7) The Company has issued a 2-year corporate bond with a total nominal amount of RMB4 billion and a 3-year corporate bond with a total nominal amount of RMB6 billion on 15 May 2017. As at 30 June 2018, the corporate bond with a total nominal amount of RMB4 billion is due within one year and is therefore classified as "Long-term bonds due within one year" (Note 43 (5)).
- (8) The Company has issued a 3-year subordinated bond with a total nominal amount of RMB5 billion on 27 July 2017.
- (9) The Company has issued a 1.5-year corporate bond with a total nominal amount of RMB5 billion on 19 October 2017. As at 30 June 2018, the corporate bond is due within one year and is therefore classified as "Long-term bonds due within one year" (Note 43 (6)).
- (10) The Company has issued a 2-year subordinated bond with a total nominal amount of RMB1 billion on 15 March 2018.
- (11) The Company has issued a 3-year subordinated bond with a total nominal amount of RMB2.8 billion on 10 May 2018.
- (12) The Company has issued 5 tranche of long-term structured notes during the six months ended 30 June 2018. Structured notes due within one year are disclosed in Note 43(7).

45 Share capital

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

	<i>As at 30 June 2018</i>		<i>As at 31 December 2017</i>	
	<i>Number of shares (Thousands)</i>	<i>Nominal value</i>	<i>Number of shares (Thousands)</i>	<i>Nominal value</i>
Registered, issued and fully paid:				
A shares of RMB1 each	5,443,723	5,443,723	5,443,723	5,443,723
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
	<hr/>	<hr/>	<hr/>	<hr/>
Total	7,162,769	7,162,769	7,162,769	7,162,769
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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

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

46 Reserves

(a) Capital reserve

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

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

(b) Surplus reserve

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

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

(c) General reserve

General reserve includes general risk reserve and transaction risk reserve.

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

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

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

(d) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 3(b)(i)).

(e) Translation reserve

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

47 Retained profits

Pursuant to the resolution of the general meeting of shareholders dated 13 June 2018, it was approved that the Company not to distribute profit dividends in order to carry on non-public issuance of A shares.

48 Commitments

(a) Capital commitments

Capital commitments outstanding as at 30 June 2018 and 31 December 2017 not provided for in the financial report were as follows:

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Contracted, but not provided for	439,594	791,124

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

(b) Operating lease commitments

As at 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Within 1 year (inclusive)	304,418	252,026
1 - 2 years (inclusive)	215,386	224,201
2 - 3 years (inclusive)	122,290	161,373
After 3 years	138,627	115,610
Total	780,721	753,210

49 Interests in structured entities

(a) Interests in structured entities consolidated by the Group

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

As at 30 June 2018 and 31 December 2017, the Group consolidates 30 and 29 structured entities respectively, which are mainly asset management schemes. As at 30 June 2018 and 31 December 2017, the total assets of the consolidated structured entities are RMB59,970,446 thousand and RMB60,600,933 thousand respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB4,828,540 thousand and RMB5,610,164 thousand respectively.

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

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 49(a), the Group's exposure to the variable returns in the rest structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 30 June 2018 and 31 December 2017, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB904,831,047 thousand and RMB897,646,449 thousand respectively. As at 30 June 2018 and 31 December 2017, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB1,250,618 thousand and RMB1,203,494 thousand respectively.

During the six months ended 30 June 2018 and 30 June 2017, income derived from these unconsolidated structured entities held by the Group amounted to RMB360,092 thousand and RMB436,272 thousand respectively.

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

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

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 30 June 2018 and 31 December 2017, which are listed as below:

	As at 30 June 2018		
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	-	18,902,531	18,902,531
Wealth management products	10,637,383	3,620,705	14,258,088
Total	10,637,383	22,523,236	33,160,619

	As at 31 December 2017		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	42,143	17,439,657	17,481,800
Wealth management products	13,837,294	4,400,157	18,237,451
Total	13,879,437	21,839,814	35,719,251

50 Contingencies

As at 30 June 2018 and 31 December 2017, the Group involved as defendant in certain lawsuit with claim amounts of approximately RMB1,729 thousand and RMB2,252 thousand, respectively. Based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts, the directors of the Company are the opinion the final court judgement will not have a significant impact on the group's financial position or operations.

51 Related party relationships and transactions

(a) Relationship of related parties

(i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders is set out in Note 51(b)(i).

(ii) Associates of the Group

The detailed information of the Group's associates is set out in Note 20.

(iii) Joint ventures of the Group

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

(iv) Other related parties

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

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders:

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Balances at the end of the period / year:		
Financial assets measured at amortised cost		
- Jiangsu Guoxin Investment Group Limited	20,035	-
Financial assets at fair value through profit or loss		
- Jiangsu Communications Holding Company Limited	99,696	147,740
- Jiangsu Guoxin Investment Group Limited	10,020	9,898
Other receivables and prepayments		
- Jiangsu Communications Holding Company Limited	2,607	1,010
- Jiangsu Guoxin Investment Group Limited	431	391
Accounts payable to brokerage clients		
- Jiangsu Communications Holding Company Limited	-	16
- Jiangsu Guoxin Investment Group Limited	50	50
Other payables and accruals		
- Jiangsu Guoxin Investment Group Limited	3,211	3,211

	<i>Six months ended 30 June</i>	
	2018	2017
Transactions during the period:		
Fee and commission income		
- Jiangsu Guoxin Investment Group Limited	4,161	32
Net investment gains		
- Jiangsu Communications Holding Company Limited	4,100	2,756
- Jiangsu Guoxin Investment Group Limited	403	230

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Balances at the end of the period / year:		
Cash and bank balances		
- Bank of Jiangsu	473,492	508,923
Financial assets at fair value through profit or loss		
- Bank of Jiangsu	166,017	446,573
Available-for-sale financial assets		
- Bank of Jiangsu	-	193,353
Accounts receivable		
- Jiangsu Huatai Strategic Emerging Industry Investment Fund (Limited Partnership)	24,795	50,001
- Nanjing Huatai Onehealth NO.1 Equity Investment Fund (Limited Partnership)	14,795	320
- Huatai-PineBridge Fund Management Co., Ltd.	8,607	7,407
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	7,925	-
- China Southern Asset Management Co., Ltd.	6,259	6,031
- Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership)	4,959	10,001
- Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	3,510	-
- Jiangsu Industry and Information Industry Investment Fund (Limited Partnership)	1,804	1,206
- Nanjing Huatai Onehealth NO.2 Equity Investment Fund (Limited Partnership)	1,014	22
Other receivables and prepayments		
- Bank of Jiangsu	124,891	6,214
- China Southern Asset Management Co., Ltd.	121,500	-
- Huatai Ruilian Fund Management Co., Ltd.	41,298	-
Accounts payable to brokerage clients		
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	17,747	8
- Jiangsu Huatai Strategic Emerging Industry Investment Fund (Limited Partnership)	223	723
- China Southern Asset Management Co., Ltd.	156	81
- Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	69	-
- Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership)	5	238
- Huatai-PineBridge Fund Management Co., Ltd.	2	1
Other payables and accruals		
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	-	513

	<i>Six months ended 30 June</i>	
	2018	2017
Transactions during the period:		
Fee and commission income		
- Jiangsu Huatai Strategic Emerging Industry Investment Fund (Limited Partnership)	23,392	23,392
- China Southern Asset Management Co., Ltd.	17,434	22,544
- Huatai-PineBridge Fund Management Co., Ltd.	16,180	14,143
- Nanjing Huatai Onehealth NO.1 Equity Investment Fund (Limited Partnership)	13,656	10,020
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	8,004	6,666
- Jiangsu Huatai Internet Industry Investment Fund (Limited Partnership)	4,679	4,679
- Bank of Jiangsu	4,604	-
- Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership)	3,311	4,912
- Nanjing Huatai Onehealth NO.2 Equity Investment Fund (Limited Partnership)	936	970
- Jiangsu Industry and Information Industry Investment Fund (Limited Partnership)	564	564
Interest income		
- Bank of Jiangsu	10,737	3,437
Net investment gains		
- Bank of Jiangsu	12,637	6,344
- Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	8,601	-
Other income and gains		
- Bank of Jiangsu	3,265	3,698
- China Southern Asset Management Co., Ltd.	1,670	1,164
Other operating expenses		
- Bank of Jiangsu	95	-

For the six months ended 30 June 2018 and 30 June 2017, the capital injection made by the Group into the associates and joint ventures is RMB153,250 thousand and RMB150,316 thousand, respectively. For the six months ended 30 June 2018 the disinvestment made by the Group from the associates and joint ventures are RMB38,600 thousand. For the six months ended 30 June 2017, the Group did not disinvest any capital from associates and joint ventures.

For the six months ended 30 June 2018 and 30 June 2017, the dividend received from associates is RMB110,971 thousand and RMB192,870 thousand respectively.

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2018	2017
Employee benefits		
- Fees, salaries, allowances and bonuses	27,645	30,404
Post-employment benefits		
- Contribution to pension scheme	252	233
Total	27,897	30,637

Total remuneration is included in "staff costs" (see Note 10).

52 Segment reporting

In 2017, management began to allocate resources and assess the segment's performance according to the updated operating segment classification. Accordingly, the segment report for the relevant periods has been presented in a new way adopted by management in the financial statements. Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- The wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, to provide customers with a variety of financial products sales services and asset allocation services. Moreover, the activities of providing margin financing, securities lending, securities-backed lending and sell financial products are included in this segment.
- The institutional services segment mainly provides investment banking business to clients, research and institutional sales, equity securities investments and transactions, fixed income investments and transactions, OTC financial products and transactions.
- The investment management segment mainly consists of asset management, private equity investment, alternative investments and commodities trading and arbitrage.
- The international business segment mainly includes the overseas business of overseas subsidiaries.
- Other segments include other operations of head office, mainly including interest income, share of profit of associates and joint ventures, interest expenses of working capitals, and costs and expenses of middle offices and back offices.

(a) Business segments

For the six months ended 30 June 2018

	Wealth management	Institutional services	Investment management	Overseas business	Others	Segment total
Revenue						
- External	6,654,564	1,127,574	1,333,931	1,500,989	876,779	11,493,837
- Inter-segment	32	-	-	-	1,491,784	1,491,816
Other income and gains	248,273	26,509	167,134	13	54,871	496,800
Segment revenue and other income	6,902,869	1,154,083	1,501,065	1,501,002	2,423,434	13,482,453
Segment expenses	(4,121,185)	(1,789,183)	(503,154)	(1,301,869)	(1,221,930)	(8,937,321)
Segment operating profit / (loss)	2,781,684	(635,100)	997,911	199,133	1,201,504	4,545,132
Share of profit of associates and joint ventures	-	-	334,785	-	632,569	967,354
Profit / (loss) before income tax	2,781,684	(635,100)	1,332,696	199,133	1,834,073	5,512,486
Interest income	4,194,236	70,185	201,546	39,991	333,743	4,839,701
Interest expenses	(1,866,834)	(1,097,502)	(55,223)	(116,454)	(394,113)	(3,530,126)
Depreciation and amortisation	(18,997)	(14,689)	(4,944)	(87,023)	(171,099)	(296,752)
(Provision for) / reversal of impairment losses	(2,033)	13,603	-	(132)	(73,980)	(62,542)
Additions to non-current segment assets during the period	132,967	11,810	10,307	55,482	21,089	231,655
As at 30 June 2018						
Segment assets	164,574,544	86,552,634	74,398,609	19,252,759	153,056,595	497,835,141
Segment liabilities	(158,290,635)	(85,427,405)	(57,582,870)	(11,256,880)	(93,826,319)	(406,384,109)

For the six months ended 30 June 2017

	Wealth management	Institutional services	Investment management	Overseas business	Others	Segment total
Revenue						
- External	6,479,767	2,222,258	1,284,057	1,693,585	640,303	12,319,970
- Inter-segment	206	(170)	-	-	1,989,340	1,989,376
Other income and gains	37,232	5,252	56,312	16,238	9,276	124,310
Segment revenue and other income	6,517,205	2,227,340	1,340,369	1,709,823	2,638,919	14,433,656
Segment expenses	(3,579,134)	(1,122,265)	(634,416)	(1,708,966)	(1,641,724)	(8,686,505)
Segment operating profit	2,938,071	1,105,075	705,953	857	997,195	5,747,151
Share of profit of associates and joint ventures	-	-	626	-	228,665	229,291
Profit before income tax	2,938,071	1,105,075	706,579	857	1,225,860	5,976,442
Interest income	3,685,625	76,654	283,448	39,523	344,711	4,429,961
Interest expenses	(1,625,608)	(525,926)	(89,607)	(75,989)	(391,054)	(2,708,184)
Depreciation and amortisation	(43,726)	(11,067)	(5,209)	(82,357)	(137,585)	(279,944)
Provision for impairment losses	(5,706)	-	-	-	(239)	(5,945)
Additions to non-current segment assets during the period	69,347	4,648	3,210	76,839	40,760	194,804
As at 31 December 2017						
Segment assets	178,175,834	73,362,625	74,160,523	15,835,319	160,953,261	502,487,562
Segment liabilities	(174,949,018)	(69,430,859)	(58,290,110)	(8,049,167)	(103,178,496)	(413,897,650)

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

	<i>For the six months ended 30 June</i>	
	2018	2017
Revenue		
Total revenue and other income for segments	13,482,453	14,433,656
Elimination of inter-segment revenue	(1,502,474)	(2,013,541)
Consolidated revenue and other income	11,979,979	12,420,115
Profit		
Total profit before income tax for segments	5,512,486	5,976,442
Elimination of inter-segment profit	(1,492,006)	(1,989,579)
Consolidated profit before income tax	4,020,480	3,986,863
Assets		
Total assets for segments	497,835,141	502,487,562
Elimination of inter-segment assets	(102,196,834)	(121,005,022)
Consolidated total assets	395,638,307	381,482,540
Liabilities		
Total liabilities for segments	(406,384,109)	(413,897,650)
Elimination of inter-segment liabilities	102,196,834	121,005,022
Consolidated total liabilities	(304,187,275)	(292,892,628)

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Assets		
Total assets for segments	497,835,141	502,487,562
Elimination of inter-segment assets	(102,196,834)	(121,005,022)
Consolidated total assets	395,638,307	381,482,540
Liabilities		
Total liabilities for segments	(406,384,109)	(413,897,650)
Elimination of inter-segment liabilities	102,196,834	121,005,022
Consolidated total liabilities	(304,187,275)	(292,892,628)

For the six months ended 30 June 2018 and 30 June 2017, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

(b) Geographical segments

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

	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
	Mainland China	Overseas	Total	Mainland China	Overseas	Total
Segment revenue						
Revenue from external customers	9,992,848	1,500,989	11,493,837	10,626,385	1,693,585	12,319,970
Other income and gains	486,129	13	486,142	83,907	16,238	100,145
Total	10,478,977	1,501,002	11,979,979	10,710,292	1,709,823	12,420,115
	As at 30 June 2018			As at 31 December 2017		
	Mainland China	Overseas	Total	Mainland China	Overseas	Total
Specified non-current assets	15,224,202	6,760,367	21,984,569	13,959,653	6,708,950	20,668,603

53 Financial instruments and risk management

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

(a) Credit risk

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

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

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

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

(i) Maximum exposure to credit risk

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Financial assets measured at amortised cost	12,464,361	-
Refundable deposits	9,512,528	7,302,285
Accounts receivable	2,738,956	1,980,337
Other receivables and prepayments	7,231,826	5,874,665
Margin accounts receivable	52,137,999	59,991,454
Available-for-sale financial assets	-	15,111,937
Financial assets held under resale agreements	56,528,051	61,805,315
Financial assets at fair value through profit or loss	80,135,210	56,212,040
Derivative financial assets	1,795,404	391,714
Clearing settlement funds	1,552,344	1,147,448
Cash held on behalf of brokerage clients	65,503,653	65,303,548
Bank balances	27,321,751	27,025,936
Total maximum credit risk exposure	316,922,083	302,146,679

(ii) Risk concentrations

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

	By geographical area		
	Mainland China	Outside Mainland China	Total
30 June 2018			
Financial assets measured at amortised cost	12,464,361	-	12,464,361
Refundable deposits	9,500,014	12,514	9,512,528
Accounts receivable	1,592,805	1,146,151	2,738,956
Other receivables and prepayments	7,179,325	52,501	7,231,826
Margin accounts receivable	51,624,105	513,894	52,137,999
Financial assets held under resale agreements	56,156,486	371,565	56,528,051
Financial assets at fair value through profit or loss	75,367,527	4,767,683	80,135,210
Derivative financial assets	1,536,133	259,271	1,795,404
Clearing settlement funds	1,544,030	8,314	1,552,344
Cash held on behalf of brokerage clients	64,655,655	847,998	65,503,653
Bank balances	25,995,462	1,326,289	27,321,751
Total maximum credit risk exposure	307,615,903	9,306,180	316,922,083

	By geographical area		
	Mainland China	Outside Mainland China	Total
31 December 2017			
Refundable deposits	7,282,060	20,225	7,302,285
Accounts receivable	1,310,968	669,369	1,980,337
Other receivables and prepayments	5,639,939	234,726	5,874,665
Margin accounts receivable	59,446,149	545,305	59,991,454
Available-for-sale financial assets	14,588,030	523,907	15,111,937
Financial assets held under resale agreements	61,701,827	103,488	61,805,315
Financial assets at fair value through profit or loss	52,649,484	3,562,556	56,212,040
Derivative financial assets	362,787	28,927	391,714
Clearing settlement funds	1,144,099	3,349	1,147,448
Cash held on behalf of brokerage clients	64,580,719	722,829	65,303,548
Bank balances	26,033,443	992,493	27,025,936
Total maximum credit risk exposure	294,739,505	7,407,174	302,146,679

(iii) Credit rating analysis of financial assets

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

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Rating		
- AAA	35,643,920	22,224,921
- From A to AA+	16,838,578	16,930,027
- A-1	3,014,746	1,839,755
- C	3,731	3,822
Sub-total	55,500,975	40,998,525
Non-rated ⁽¹⁾	35,046,086	29,153,471
Total	90,547,061	70,151,996

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

(b) Liquidity risk

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

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

	As at 30 June 2018										Total
	Carrying amount	Overdue/repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated			
Financial liabilities											
Short-term bank loans	400,082	-	401,218	-	-	-	-	-	-	-	401,218
Short-term debt instruments issued	29,280,330	-	5,733,104	9,034,464	15,519,879	-	-	-	-	-	30,287,447
Placements from financial institutions	15,198,405	-	6,779,100	3,620,129	4,119,625	1,048,945	-	-	-	-	15,567,799
Accounts payable to brokerage clients	67,939,857	67,939,857	-	-	-	-	-	-	-	-	67,939,857
Other payables and accruals	61,557,292	59,005,527	2,103,700	448,065	-	-	-	-	-	-	61,557,292
Financial assets sold under repurchase agreements	40,511,616	-	36,591,396	35,287	3,251,496	612,165	143,102	-	-	-	40,633,446
Derivative financial liabilities	764,105	-	7,071	38,271	681,464	37,299	-	-	-	-	764,105
Financial liabilities at fair value through profit or loss	9,622,714	556,655	50,891	1,607,643	5,399,809	835,829	1,215,427	-	-	-	9,666,254
Long-term bonds	66,610,477	-	247,500	6,270,000	14,507,477	53,076,103	-	-	-	-	74,101,080
Total	291,884,878	127,502,039	51,913,980	21,053,859	43,479,750	55,610,341	1,358,529	-	-	-	300,918,498

As at 31 December 2017									
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Financial liabilities									
Short-term bank loans	-	-	-	-	-	-	-	-	-
Short-term debt instruments issued	26,656,010	-	1,695,614	7,068,370	18,910,148	-	-	-	27,674,132
Placements from financial institutions	7,029,998	-	500,632	3,589,005	3,107,414	-	-	-	7,197,051
Accounts payable to brokerage clients	67,335,545	67,335,545	-	-	-	-	-	-	67,335,545
Other payables and accruals	59,662,972	57,996,544	1,002,745	663,683	-	-	-	-	59,662,972
Financial assets sold under repurchase agreements	24,921,537	-	22,441,770	-	1,545,305	1,001,959	-	-	24,988,434
Derivative financial liabilities	1,642,283	-	7,962	64,231	730,844	839,246	-	-	1,642,283
Financial liabilities at fair value through profit or loss	14,381,328	239,836	99,139	80,682	11,744,914	955,794	1,389,875	-	14,510,240
Long-term bonds	77,198,276	-	-	228,000	24,688,107	54,364,350	6,306,000	-	85,586,457
Total	278,827,949	125,571,925	25,747,262	11,693,971	60,726,732	57,161,349	7,695,875	-	288,597,114

(c) Market risk

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

(i) Interest rate risk

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

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

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

Financial assets	As at 30 June 2018								Total
	Less than 1 month	More than 1 month but less than 3 months	3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total		
Financial assets measured at amortised cost	-	694,676	747,919	10,748,449	273,317	-	12,464,361		
Financial assets at fair value through other comprehensive income	-	-	-	-	-	10,719,677	10,719,677		
Financial assets held under resale agreements	20,289,658	6,523,472	24,908,378	4,733,404	73,139	-	56,528,051		
Refundable deposits	2,840,615	-	-	-	-	6,671,913	9,512,528		
Accounts receivable	-	-	-	-	-	2,738,956	2,738,956		
Other receivables and prepayments	-	-	-	-	-	709,112	709,112		
Margin accounts receivable	3,357,055	17,936,284	30,844,660	-	-	-	52,137,999		
Financial assets at fair value through profit or loss	581,420	4,839,885	24,601,593	43,821,422	5,465,062	45,628,976	124,938,358		
Derivative financial assets	78,296	48,377	904,694	764,037	-	-	1,795,404		
Clearing settlement funds	1,552,344	-	-	-	-	-	1,552,344		
Cash held on behalf of brokerage clients	65,503,653	-	-	-	-	-	65,503,653		
Cash and bank balances	10,456,163	3,556,198	13,309,390	-	-	186	27,321,937		
Total	104,659,204	33,598,892	95,316,634	60,067,312	5,811,518	66,468,820	365,922,380		

Financial liabilities	As at As at 30 June 2018								Total
	Less than 1 month	1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing			
Short-term bank loans	(400,082)	-	-	-	-	-	-	(400,082)	
Short-term debt instruments issued	(4,256,790)	(8,689,770)	(15,014,490)	-	-	(1,319,280)	-	(29,280,330)	
Placements from financial institutions	(6,700,000)	(3,529,998)	(3,995,424)	(972,983)	-	-	-	(15,198,405)	
Accounts payable to brokerage clients	(67,939,857)	-	-	-	-	-	-	(67,939,857)	
Other payables and accruals	-	-	-	-	-	(61,557,292)	-	(61,557,292)	
Financial assets sold under repurchase agreements	(36,473,479)	(35,228)	(3,248,908)	(611,024)	(142,977)	-	-	(40,511,616)	
Derivative financial liabilities	(10,549)	-	-	-	-	(753,556)	-	(764,105)	
Financial liabilities at fair value through profit or loss	(50,890)	(1,604,280)	(5,359,632)	-	-	(2,607,912)	-	(9,622,714)	
Long-term bonds	-	(6,000,000)	(12,100,000)	(48,510,477)	-	-	-	(66,610,477)	
Total	(115,831,647)	(19,859,276)	(39,718,454)	(50,094,484)	(142,977)	(66,238,040)	-	(291,884,878)	
Net interest rate risk exposure	(11,172,443)	13,739,616	55,598,180	9,972,828	5,668,541	230,780	-	74,037,502	

Financial assets	As at 31 December 2017								Total
	Less than 1 month	1 month but less than 3 months	3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing			
Held-to-maturity investments	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets	402,803	1,157,260	2,291,058	10,990,383	264,841	29,476,823			44,583,168
Financial assets held under resale agreements	13,483,775	6,410,616	33,486,620	8,424,304	-	-	-	-	61,805,315
Refundable deposits	7,302,285	-	-	-	-	-	-	-	7,302,285
Accounts receivable	-	-	-	-	-	1,980,337			1,980,337
Other receivables and prepayments	-	-	-	-	-	243,684			243,684
Margin accounts receivable	2,840,227	11,280,123	45,871,104	-	-	-			59,991,454
Financial assets at fair value through profit or loss	4,529,394	3,530,753	15,076,705	28,753,635	4,321,554	28,338,381			84,550,422
Derivative financial assets	2,691	-	-	-	-	389,023			391,714
Clearing settlement funds	1,147,448	-	-	-	-	-			1,147,448
Cash held on behalf of brokerage clients	65,303,548	-	-	-	-	-			65,303,548
Cash and bank balances	9,792,912	7,150,000	10,083,024	-	-	194			27,026,130
Total	104,805,083	29,528,752	106,808,511	48,168,322	4,586,395	60,428,442			354,325,505

Financial liabilities	As at As at 31 December 2017								Total
	Less than 1 month	1 month but less than 3 months	3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	More than 5 years	Total	
Short-term bank loans	-	-	-	-	-	-	-	-	-
Short-term debt instruments issued	(1,684,690)	(6,983,030)	(17,988,290)	-	-	-	-	(26,656,010)	
Placements from financial institutions	(500,000)	(3,500,000)	(3,029,998)	-	-	-	-	(7,029,998)	
Accounts payable to brokerage clients	(67,335,545)	-	-	-	-	-	-	(67,335,545)	
Other payables and accruals	-	-	-	-	-	(59,662,972)	-	(59,662,972)	
Financial assets sold under repurchase agreements	(22,421,537)	-	(1,500,000)	(1,000,000)	-	-	-	(24,921,537)	
Derivative financial liabilities	(6,372)	-	-	-	-	(1,635,911)	-	(1,642,283)	
Financial liabilities at fair value through profit or loss	(99,139)	(80,535)	(11,616,150)	-	-	(2,585,504)	-	(14,381,328)	
Long-term bonds	-	-	(21,597,480)	(49,608,478)	(5,992,318)	-	-	(77,198,276)	
Total	(92,047,283)	(10,563,565)	(55,731,918)	(50,608,478)	(5,992,318)	(63,884,387)	(278,827,949)		
Net interest rate risk exposure	12,757,800	18,965,187	51,076,593	(2,440,156)	(1,405,923)	(3,455,945)		75,497,556	

Sensitivity analysis

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

	Sensitivity of net profit	
	30 June 2018	31 December 2017
Move in yield curve		
Up 100 basis points	(1,003,283)	(601,891)
Down 100 basis points	1,044,363	625,927

	Sensitivity of equity	
	30 June 2018	31 December 2017
Move in yield curve		
Up 100 basis points	(1,003,283)	(822,556)
Down 100 basis points	1,044,363	856,034

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

(ii) Currency risk

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

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

	Sensitivity of net profit	
	30 June 2018	31 December 2017
Currency		
USD	(509,401)	(483,209)
HKD	(151,025)	(218,579)

	Sensitivity of equity	
	30 June 2018	31 December 2017
Currency		
USD	(509,401)	(541,162)
HKD	(151,025)	(219,299)

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

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

(iii) Price risk

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

Sensitivity analysis

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

	Sensitivity of net profit	
	30 June 2018	31 December 2017
Increase by 10%	2,575,731	897,230
Decrease by 10%	(2,575,731)	(897,230)

	Sensitivity of equity	
	30 June 2018	31 December 2017
Increase by 10%	3,379,707	3,109,511
Decrease by 10%	(3,379,707)	(3,109,511)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for the six months ended 30 June 2018 and the year of 2017.

(d) Capital management

The Group's objectives of capital management are:

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

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

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

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

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

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC or Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the period ended 30 June 2018 and the year ended 31 December 2017.

(e) Transfer of financial assets

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

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

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

The Group sells margin accounts receivable to the securitisation vehicle, which in turn issue asset-backed securities to investors with the purchased assets as the underlying assets. Such securitisation vehicle is consolidated by the Group, consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors.

The cash flows that the securitisation vehicle collect from the transferred assets has not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognised these financial assets in the consolidated statements of financial position. The consideration received from the investors is recognised as a financial liability.

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

As at 30 June 2018

	Financial assets at fair value through profit or loss		Margin accounts receivable		Total
	Sales and repurchase agreements	Securities lending	Margin loans receivable backed repurchase	Asset-backed securities	
Carrying amount of transferred assets	1,514,799	969,828	2,716,389	1,052,300	6,253,316
Carrying amount of associated liabilities	1,507,260	-	(2,500,000)	(950,000)	(1,942,740)
Net position	3,022,059	969,828	216,389	102,300	4,310,576

As at 31 December 2017

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Margin accounts receivable		Total
	Sales and repurchase agreements	Securities lending	Securities lending	Margin loans receivable backed repurchase	Asset-backed securities		
Carrying amount of transferred assets	-	-	5,592	2,716,389	-	-	2,721,981
Carrying amount of associated liabilities	-	-	-	(2,500,000)	-	-	(2,500,000)
Net position	-	-	5,592	216,389	-	-	221,981

(f) Offsetting financial assets and financial liabilities

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

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

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

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

As at 30 June 2018

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statements of financial position	Net amounts of financial assets presented in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Derivative financial assets	1,822,900	(27,496)	1,795,404	-	-	1,795,404
Accounts receivable	614,402	(54,892)	559,510	-	-	559,510
Total	2,437,302	(82,388)	2,354,914	-	-	2,354,914
Financial liabilities						
Derivative financial liabilities	(958,368)	194,263	(764,105)	-	-	(764,105)
Other payables and accruals	(4,433,042)	218,306	(4,214,736)	-	-	(4,214,736)
Total	(5,391,410)	412,569	(4,978,841)	-	-	(4,978,841)

As at 31 December 2017

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statements of financial position	Gross amounts of financial assets presented in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position		Net amount
				Financial instruments	Cash collateral received	
Financial assets						
Derivative financial assets	404,329	(12,615)	391,714	-	-	391,714
Accounts receivable	779,906	(66,445)	713,461	-	-	713,461
Total	1,184,235	(79,060)	1,105,175	-	-	1,105,175

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statements of financial position	Gross amounts of financial liabilities presented in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Financial liabilities						
Derivative financial liabilities	(1,642,290)	7	(1,642,283)	-	-	(1,642,283)
Other payables and accruals	(5,209,936)	167,873	(5,042,063)	-	-	(5,042,063)
Total	(6,852,226)	167,880	(6,684,346)	-	-	(6,684,346)

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

However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As at 30 June 2018 and 31 December 2017, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments, net exposure is insignificant after setting off the collaterals.

54 Fair value information

(a) Fair value of financial instruments

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

(i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, current financial assets measured at amortised cost and financial liabilities including placements from financial institutions, short-term debt instruments issued, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.

(ii) Financial instruments at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(iii) The fair values of non-current financial assets measured at amortised cost investments and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.

(iv) Accounts receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

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

The carrying amount and fair value of financial assets measured at amortised cost investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

Carrying amount

	<i>As at 30 June 2018</i>	<i>As at 31 December 2017</i>
Financial assets		
- Financial assets measured at amortised cost	12,464,361	-
Financial liabilities		
- Short-term debt instruments issued	(29,280,330)	(26,656,010)
- Long-term bonds	(66,610,477)	(77,198,276)
Total	(95,890,807)	(103,854,286)

Fair value

	As at 30 June 2018			
	Level I	Level II	Level III	Total
Financial assets				
- Financial assets measured at amortised cost	8,977,780	3,487,107	-	12,464,887
Financial liabilities				
- Short-term debt instruments issued	14,982,256	-	14,680,330	29,662,586
- Long-term bonds	63,303,509	-	4,174,000	67,477,509
Total	78,285,765	-	18,854,330	97,140,095

	As at 31 December 2017			
	Level I	Level II	Level III	Total
Financial liabilities				
- Short-term debt instruments issued	-	-	26,656,010	26,656,010
- Long-term bonds	73,824,987	-	3,000,000	76,824,987
Total	73,824,987	-	29,656,010	103,480,997

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

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

(c) Fair value hierarchy

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

	As at 30 June 2018			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt securities	42,680,646	35,358,914	43,140	78,082,700
- Equity securities	14,938,258	1,832,014	6,311,532	23,081,804
- Funds	18,092,929	918,497	-	19,011,426
- Wealth management products	315,704	3,533,294	913,430	4,762,428
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	82,294	82,294
- Other investments	-	10,637,383	-	10,637,383
Derivative financial assets	2,486	219,960	1,572,958	1,795,404
Total	76,030,023	52,500,062	8,923,354	137,453,439
Liabilities				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(7,039,663)	(460,270)	-	(7,499,933)
- Financial liabilities designated at fair value through profit or loss	-	(71,525)	(2,051,256)	(2,122,781)
Derivative financial liabilities	(9,069)	(696,483)	(58,553)	(764,105)
Total	(7,048,732)	(1,228,278)	(2,109,809)	(10,386,819)

	As at 31 December 2017			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
- Debt securities	25,688,578	29,357,072	-	55,045,650
- Equity securities	6,561,929	1,082,457	-	7,644,386
- Funds	17,069,017	391,211	-	17,460,228
- Wealth management products	468,364	1,018,696	1,116,430	2,603,490
Financial assets designated at fair value through profit or loss				
- Equity securities	-	1,796,667	-	1,796,667
Available-for-sale financial assets				
- Debt securities	11,068,223	3,992,891	45,231	15,106,345
- Equity securities	9,312,807	1,140,727	6,548,624	17,002,158
- Funds	124,338	42,142	-	166,480
- Wealth management products	-	12,308,185	-	12,308,185
Derivative financial assets	37,490	99,623	254,601	391,714
	<hr/>	<hr/>	<hr/>	<hr/>
Total	70,330,746	51,229,671	7,964,886	129,525,303
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(11,818,892)	(88,445)	-	(11,907,337)
- Financial liabilities designated at fair value through profit or loss	-	(128,324)	(2,345,668)	(2,473,992)
Derivative financial liabilities	(29,537)	(1,386,261)	(226,485)	(1,642,283)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(11,848,429)	(1,603,030)	(2,572,153)	(16,023,612)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the six months ended 30 June 2018, there was a transfer of amount RMB426,578 thousand from Level I to Level II due to its active trading as at 31 December 2017 while suspended from trading as at 30 June 2018. There was a transfer of amount RMB106,947 thousand from Level II to Level III due to the delisting of equity securities. There was a transfer of amount RMB309,378 thousand from Level III to Level II due to the listing of equity securities with lock-up period.

For the year ended 31 December 2017, there was a transfer of amount RMB623,245 thousand from Level I to Level II due to its active trading as at 31 December 2016 while suspended from trading as at 31 December 2017. For the year ended, there were no significant transfer between Level II and Level III of the fair value hierarchy.

(i) Financial instruments in Level I

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

(ii) Financial instruments in Level II and Level III

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

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

(iii) 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:

(1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.

(2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.

(3) For debt securities listed through exchanges, fair value is determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.

(4) For debt securities traded through the inter-bank bond market and OTC market, fair values are determined using valuation techniques.

(5) For gold leasing and derivative financial instruments, fair value is determined using valuation techniques.

(iv) Financial instruments in Level III

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

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 31 December 2017	1,116,430	6,593,855	-	254,601	(2,345,668)	(226,485)	5,392,733
Impact on initial application of IFRS 9	6,527,861	(6,593,855)	65,994	-	-	-	-
As at 1 January 2018	7,644,291	-	65,994	254,601	(2,345,668)	(226,485)	5,392,733
Gains or losses for the period	629,072	-	-	1,504,269	170,212	176,430	2,479,983
Changes in fair value recognised in other comprehensive income	-	-	16,300	-	-	-	16,300
Purchases	292,867	-	-	92,378	-	(4,003)	371,242
Sales and settlements	(1,298,128)	-	-	(278,290)	124,200	5,505	(1,446,713)
As at 30 June 2018	7,268,102	-	82,294	1,572,958	(2,051,256)	(58,553)	6,813,545
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	625,562	-	-	1,294,481	170,212	168,620	2,258,875

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2017	731,430	10,654,925	20,242	(11,440,911)	(10,409)	(44,723)
Gains or losses for the year	39,646	2,599	273,157	419,540	(159,084)	575,858
Changes in fair value recognised in other comprehensive income	-	(856,525)	-	-	-	(856,525)
Purchases	385,000	4,400,136	10,238	-	(45,394)	4,749,980
Sales and settlements	(39,646)	(7,607,280)	(49,036)	8,675,703	(11,598)	968,143
As at 31 December 2017	1,116,430	6,593,855	254,601	(2,345,668)	(226,485)	5,392,733
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	-	-	239,690	419,540	(176,003)	483,227

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

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

55 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2018

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated interim financial statements. The following standard is considered relevant to the Group.

IFRS 16, Leases

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

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

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

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

As set out in Note 48(b), total operating lease commitment of the Group in respect of rental payment as at 30 June 2018 amounted to RMB780.72 million (31 December 2017: RMB753.21 million), however, the Group has not yet determined to what extent these commitments will result in the recognition of right-of-use assets and liabilities for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and with an interest expense on lease liabilities.

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

56 Events after the reporting date

(a) Non-public issuance of A shares

According to the sixth meeting of the fourth Board of Directors on 26 May 2017, the fourteenth meeting of the fourth Board of Directors on 21 May 2018, the decision of 2016 general meeting of the shareholders on 21 June 2017, the decision of 2017 general meeting of the shareholders on 13 June 2018 and the "Approval in Relation to the Non-Public Issuance of Shares by Huatai Securities Co., Ltd." (Zheng Jian Xu Ke [2018] No.315) received from the CSRC on 19 March 2018, the Company was approved to non-publicly issue no more than 1,088,731,200 new A shares. As at 31 July 2018, the amount of non-public issuance of the Company is RMB14,207,942 thousand, consisting of share capital of RMB1,088,731 thousand and capital surplus of RMB13,119,211 thousand. After deducting the issue cost of RMB74,736 thousand, the net amount of RMB13,044,475 thousand is accounted in reserves. The total paid up share capital of the Company after the change is RMB8,251,500 thousand, accounting for 100% of the registered capital after the change.

(b) Profit distribution plan after accounting period

On 30 August 2018, based on the total ordinary shares of 8,251,500,000 of the Company as of 31 July 2018, the Board proposed the cash dividends of RMB3.00 (tax inclusive) per 10 ordinary shares distributed to all the shareholders, with total cash dividend amounting to RMB2,475,450 thousand. The proposal is pending for the approval of the general meeting of the shareholders. The cash dividend are not recognised as a liability as at 30 June 2018.

INDEX OF DOCUMENTS FOR INSPECTION

INDEX OF DOCUMENTS FOR INSPECTION	1. Financial statements of the Company signed and sealed by the legal representative, the person responsible for accounting matters and the chief accountant
	2. All documents and announcements of the Company as disclosed in the newspapers designated by the CSRC during the Reporting Period
	3. Articles of Association

Chairman of the Board: Zhou Yi

Date of Submission as Approved by the Board of Directors: 30 August 2018

INFORMATION DISCLOSURE OF SECURITIES COMPANIES

I. MAJOR ADMINISTRATIVE APPROVALS OF THE COMPANY

1. Approval in Relation to the Non-Public Issuance of Shares by Huatai Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 315) dated February 9, 2018 (《關於核准华泰證券股份有限公司非公開發行股票的批覆》(證監許可[2018]315號));
2. Approval for the Modification of Important Clauses of the Articles of Association by Huatai Securities Co., Ltd. (Su Zheng Jian Xu Ke Zi [2018] No. 5) dated March 1, 2018 (《關於核准华泰證券股份有限公司變更公司章程重要條款的批覆》(蘇證監許可字[2018]5號); and
3. Approval for the Qualification of Chen Zhibin as Independent Director of Securities Company (Su Zheng Jian Xu Ke Zi [2018] No. 9) dated April 9, 2018 (《關於陳志斌證券公司獨立董事任職資格的批覆》(蘇證監許可字[2018]9號)).

II. RESULTS OF CLASSIFICATION BY REGULATORY AUTHORITIES

1. In 2016, the Company was rated Class BBB under Category B according to the classification of securities companies.
2. In 2017, the Company was rated Class AA under Category A according to the classification of securities companies.
3. In 2018, the Company was rated Class AA under Category A according to the classification of securities companies.

APPENDIX: INFORMATION DISCLOSURES INDEX

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

No.	Date	Announcement
1	06/01/2018	Explanations of KPMG Huazhen LLP on Changes to Accounting Treatment of HTSC's Equity Investment in Bank of Jiangsu Co., Ltd., Supplementary Announcement by HTSC on Changes to Accounting Treatment of Equity Investment in Bank of Jiangsu Co., Ltd.
2	08/01/2018	Announcement by HTSC on Non-Objection Reply from the CSRC in Relation to the Company Conducting Pilot Cross-Border Businesses
3	10/01/2018	Announcement on HTSC Business Operation and the Main Financial Information for December 2017
4	11/01/2018	Announcement by HTSC on Changes in Business Scope of Huatai Zijin Investment Co., Ltd.
5	26/01/2018	Announcement by HTSC on the Appointment of General Manager of Huatai Zijin Investment Co., Ltd.
6	07/02/2018	Announcement on HTSC Business Operation and the Main Financial Information for January 2018
7	10/02/2018	Announcement by HTSC on 2018 Interest Payment for the Corporate Bonds (the First Tranche) under Private Placement in 2017
8	14/02/2018	Announcement by HTSC on Preliminary Financial Data for the Year of 2017
9	27/02/2018	Announcement by HTSC on Mr. Yang Xiongsheng's Submission of Resignation as Independent Non-executive Director
10	07/03/2018	Announcement on HTSC Business Operation and the Main Financial Information for February 2018
11	08/03/2018	Announcement by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 03" Subordinated Bonds
12	09/03/2018	First Reminder Announcement by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 03" Subordinated Bonds
13	13/03/2018	Announcement by HTSC on the Resolutions of the Eleventh Meeting of the Fourth Session of the Board, Independent Opinion of HTSC Independent Directors on Nomination of Candidate for the Company's Independent Non-Executive Director, Statements from Candidate for Independent Director of HTSC, Statements from Nominee for Independent Director of HTSC, Second Reminder Announcement by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 03" Subordinated Bonds
14	15/03/2018	Third Reminder Announcement by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 03" Subordinated Bonds
15	16/03/2018	Announcement by HTSC on Issuance Results for the Subordinated Bonds (the First Tranche) under Private Placement of 2018, Announcement by HTSC on Signing of a Comprehensive Strategic Cooperation Agreement
16	20/03/2018	Announcement by HTSC Regarding the Receipt of Approval by the CSRC in Relation to the Non-Public Issuance of A Shares
17	21/03/2018	Announcement by HTSC on Profit Distribution from Holding Subsidiary
18	24/03/2018	Announcement by HTSC on Completion of Acquisition of Equity Interests of Huatai United Securities Co., Ltd.
19	29/03/2018	Internal Control Assessment Report of HTSC for 2017, 2017 Annual Report of HTSC, 2017 Annual Report Summary of HTSC, Corporate Social Responsibility Report of HTSC for 2017, Special Explanation on Occupation of non-operating Funds and Transaction of Other Associated Funds for 2017, 2017 Auditing Report of Internal Control, 2017 Annual Auditing Report, Special Explanation on the Matters Concerning Changes in 2017 Accounting Policies of HTSC, Announcement by HTSC on the Resolutions of the Twelfth Meeting of the Fourth Session of the Board, Announcement by HTSC on the Resolutions of the Sixth Meeting of the Fourth Session of the Board of Supervisors, Report on Performance of Duties of Audit Committee under the Board of HTSC in 2017, Report on Performance of Duties of Independent Directors of HTSC in 2017, Independent Opinion of HTSC Independent Directors on the Matters Concerning 2017 Annual Report of the Company, Independent Opinion of HTSC Independent Directors on the Matters Concerning Changes in Accounting Policies, Announcement by HTSC on the Listing of the Subordinated Bonds (the First Tranche) of 2018 Privately Placed by HTSC on the Shanghai Stock Exchange, Announcement by HTSC on Changes in Accounting Policies, Announcement by HTSC on Anticipation of Ordinary Connected Transactions in 2018
20	04/04/2018	Announcement by HTSC on Exercise of Redemption of "15 Huatai 03" Subordinated Bonds
21	11/04/2018	HTSC Business Operation and the Main Financial Information for March 2018, Announcement by HTSC on the Early Repayment and Delisting in Relation to "15 Huatai 03" Subordinated Bonds
22	21/04/2018	Articles of Association of HTSC, Announcement by HTSC on Changes of Articles of Association
23	26/04/2018	Document of HTSC 2017 Annual General Meeting, Notice by HTSC on Convening 2017 Annual General Meeting
24	27/04/2018	First Quarterly Report of HTSC of 2018
25	28/04/2018	Announcement by HTSC on the Meeting for Explaining the Cash Dividend Distribution
26	03/05/2018	Report on Tracking Rating of Corporate Bonds of HTSC Issued in 2013, 2015 and 2016, Report on Tracking Rating of Subordinated Bonds of HTSC Issued in 2015, Announcement by HTSC on Results of Tracking Rating of Corporate Bonds Issued in 2013, 2015 and 2016 and Subordinated Bonds Issued in 2015

No.	Date	Announcement
27	08/05/2018	HTSC Business Operation and the Main Financial Information for April 2018, Announcement by HTSC on 2018 Interest Payment for the Corporate Bonds (the Second Tranche) under Private Placement in 2017
28	10/05/2018	Report on the Entrusted Management Affairs in Relation to the Corporate Bonds of HTSC of 2013 (Year 2017)
29	11/05/2018	Announcement by HTSC on Issuance Results for the Subordinated Bonds (the Second Tranche) under Private Placement of 2018
30	22/05/2018	Announcement by HTSC on the Resolutions of the Fourteenth Meeting of the Fourth Session of the Board
31	24/05/2018	Announcement on Principal and Interest Payment and Delisting of "13 Huatai 01" Corporate Bonds of 2013, Interest Payment of "13 Huatai 02", Document of HTSC 2017 Annual General Meeting, Announcement by HTSC on the Listing of the Subordinated Bonds (the Second Tranche) of 2018 Privately Placed by HTSC on the Shanghai Stock Exchange, Announcement by HTSC on Inclusion of an Interim Proposal for Approval at the 2017 Annual General Meeting
32	29/05/2018	Second Notice of HTSC 2017 Annual General Meeting
33	07/06/2018	Announcement on HTSC Business Operation and the Main Financial Information for May 2018
34	14/06/2018	Legal Opinion of HTSC 2017 Annual General Meeting, Announcement by HTSC on Resolutions of 2017 Annual General Meeting, Regulations on the Management of Related Party Transactions of HTSC (Revised in 2018)
35	19/06/2018	Announcement by HTSC on the Listing of Securities Company Short-term Corporate Bonds (the First Tranche) of 2018 Privately Placed by HTSC on Shanghai Stock Exchange
36	20/06/2018	Announcement on the Interest Payment in 2018 and Delisting in Relation to the Corporate Bonds (the First Tranche) (Category I) of 2015, Report on the Entrusted Management Affairs in Relation to the Corporate Bonds (the First Tranche) of HTSC of 2015 (Year 2017), Report on the Entrusted Management Affairs in Relation to the Corporate Bonds (the Second Tranche) of HTSC of 2016 (Year 2017), Report on the Entrusted Management Affairs in Relation to the Corporate Bonds (the First Tranche) of HTSC of 2016 (Year 2017)
37	28/06/2018	Announcement by HTSC on the Resolutions of the Fifteenth Meeting of the Fourth Session of the Board

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

No.	Date	Announcement
1	04/01/2018	Monthly Report of Equity Issuer on Movements in Securities for the month ended December 31, 2017
2	07/01/2018	Supplementary Announcement on Changes to Accounting Treatment of Equity Investment in Bank of Jiangsu, Overseas Regulatory Announcements - Explanations by HTSC on Changes to Accounting Treatment of Equity Investment in Bank of Jiangsu, Announcement by HTSC on Non-Objection Reply from the CSRC in Relation to the Company Conducting Pilot Cross-Border Business.
3	09/01/2018	Announcement on Key Financial Information for December 2017
4	10/01/2018	Overseas Regulatory Announcement - Announcement by HTSC on Changes in Business Scope of Huatai Zijin Investment Co., Ltd.
5	25/01/2018	Overseas Regulatory Announcement - Announcement by HTSC on the Appointment of General Manager of Huatai Zijin Investment Co., Ltd.
6	02/02/2018	Monthly Report of Equity Issuer on Movements in Securities for the month ended January 31, 2018
7	06/02/2018	Announcement on Key Financial Information for January 2018
8	09/02/2018	Overseas Regulatory Announcement - Announcement by HTSC on 2018 Interest Payment for the Corporate Bonds (the First Tranche) under Private Placement in 2017
9	13/02/2018	Announcement on Preliminary Financial Data for the Year of 2017
10	26/02/2018	Change of Director's Information and Resignation of Independent Non-executive Director
11	02/03/2018	Monthly Report of Equity Issuer on Movements in Securities for the month ended February 28, 2018
12	06/03/2018	Announcement on Key Financial Information for February 2018
13	07/03/2018	Overseas Regulatory Announcement - Announcement by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 03" Subordinated Bonds
14	08/03/2018	Overseas Regulatory Announcement - First Reminder Announcement by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 03" Subordinated Bonds
15	12/03/2018	Overseas Regulatory Announcement - Second Reminder Announcement by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 03" Subordinated Bonds, Resignation of Independent Non-Executive Director and Resolutions of the Board Meeting, List of Directors and Their Role and Function
16	14/03/2018	Overseas Regulatory Announcement - Third Reminder Announcement by HTSC on Exercise of Redemption Option as Issuer of "15 Huatai 03" Subordinated Bonds
17	15/03/2018	Overseas Regulatory Announcement - Announcement by HTSC on Signing of a Comprehensive Strategic Cooperation Agreement, Announcement by HTSC on Issuance Results for the Subordinated Bonds (the First Tranche) under Private Placement of 2018
18	16/03/2018	Date of Board Meeting
19	19/03/2018	Announcement Regarding the Receipt of Approval by the CSRC in Relation to the Non-Public Issuance of A Shares
20	20/03/2018	Announcement on Profit Distribution from Holding Subsidiary
21	23/03/2018	Overseas Regulatory Announcement - Announcement by HTSC on Completion of Acquisition of Equity Interests of Huatai United Securities Co., Ltd.
22	28/03/2018	Overseas Regulatory Announcements - Announcement by HTSC on the Resolutions of the Twelfth Meeting of the Fourth Session of the Board, Announcement by HTSC on the Resolutions of the Sixth Meeting of the Fourth Session of the Board of Supervisors, Announcement by HTSC on Anticipation of Ordinary Connected Transactions in 2018, Report on Performance of Duties of Audit Committee under the Board of HTSC in 2017, Report on Performance of Duties of Independent Directors of HTSC in 2017, Independent Opinion of HTSC Independent Directors on the Matters Concerning Changes in Accounting Policies, Independent Opinion of HTSC Independent Directors on the Matters Concerning 2017 Annual Report of the Company, Internal Control Assessment Report of HTSC for 2017, 2017 Corporate Social Responsibility Report, Changes in Accounting Policies and Proposed Amendments to the Articles of Association
23	29/03/2018	Results Announcement for the Year ended 31 December 2017
24	03/04/2018	Monthly Report of Equity Issuer on Movements in Securities for the month ended March 31, 2018, Overseas Regulatory Announcement - Announcement by HTSC on Exercise of Redemption of "15 Huatai 03" Subordinated Bonds
25	10/04/2018	Announcement on Key Financial Information for March 2018, Overseas Regulatory Announcement - Announcement by HTSC on the Early Repayment and Delisting in Relation to "15 Huatai 03" Subordinated Bonds
26	16/04/2018	Date of Board Meeting
27	20/04/2018	Overseas Regulatory Announcement - Announcement by HTSC on Changes of Articles of Association, Articles of Association

No.	Date	Announcement
28	25/04/2018	2017 Annual Report, Circular of 2017 Annual General Meeting, Form of Proxy of Holders of H Shares for use at the AGM to be Held on June 13, 2018, Reply Slip for Holders of H Share for Attending the AGM to be Held on June 13, 2018, Notice of AGM, Notification Letter and Request Form to Registered Shareholders, Notification Letter and Request Form to Non-Registered Shareholders
29	26/04/2018	First Quarterly Report of 2018
30	27/04/2018	Overseas Regulatory Announcement - Announcement by HTSC on the Meeting for Explaining the Cash Dividend Distribution
31	02/05/2018	Monthly Report of Equity Issuer on Movements in Securities for the month ended April 30, 2018, Overseas Regulatory Announcements - Report on Tracking Rating of Subordinated Bonds of HTSC Issued in 2015, Report on Tracking Rating of Corporate Bonds of HTSC Issued in 2013, 2015 and 2016, Announcement by HTSC on Results of Tracking Rating of Corporate Bonds Issued in 2013, 2015 and 2016 and Subordinated Bonds Issued in 2015
32	07/05/2018	Overseas Regulatory Announcements - Announcement by HTSC on 2018 Interest Payment for the Corporate Bonds (the Second Tranche) under Private Placement in 2017, Announcement on Key Financial Information of Business Operation for April 2018
33	10/05/2018	Overseas Regulatory Announcement - Announcement by HTSC on Issuance Results for the Subordinated Bonds (the Second Tranche) under Private Placement in 2018
34	21/05/2018	Proposed Extension of the Validity Period of Resolution of the General Meeting on the Non-Public Issuance, Proposed Extension of the Validity Period of Authorization Granted by the General Meeting to the Board and Its Authorized Persons to Deal with Matters in Respect of the Non-Public Issuance, Overseas Regulatory Announcement - Announcement by HTSC on the Resolutions of the Fourteenth Meeting of the Fourth Session of the Board
35	23/05/2018	Grant of General Mandate to Issue Shares, Proposed Extension of the Validity Period of Resolution of the General Meeting on the Non-Public Issuance, Proposed Extension of the Validity Period of Authorization Granted by the General Meeting to the Board and Its Authorized Persons to Deal with Matters in Respect of the Non-Public Issuance and Revised Notice of AGM, Revised Form of Proxy, Notification Letter and Request Form to Non-Registered Shareholders, Notification Letter and Request Form to Registered Shareholders, Revised Notice of AGM, Overseas Regulatory Announcement - Announcement by HTSC on Principal and Interest Payment and Delisting in Relation to "13 Huatai 01" Corporate Bonds of 2013, the Interest Payment for "13 Huatai 02"
36	28/05/2018	Second Notice of the 2017 Annual General Meeting
37	05/06/2018	Monthly Report of Equity Issuer on Movements in Securities for the month ended May 31, 2018
38	06/06/2018	Announcement on Key Financial Information of Business Operation for May 2018
39	13/06/2018	Poll Results of the 2017 Annual General Meeting; Election of Independent Non-Executive Director; and Approval and Effectiveness of the Articles of Association, List of Directors and their Role and Function
40	19/06/2018	Overseas Regulatory Announcement - Announcement by HTSC on the Interest Payment in 2018 and Delisting in Relation to the Corporate Bonds (the First Tranche) (Category I) of 2015
41	27/06/2018	Overseas Regulatory Announcement - Announcement by HTSC on the Resolutions of the Fifteenth Meeting of the Fourth Session of the Board



 Huatai Online: www.htsc.com

 Customer Services Hotline: **95597**

 Company Address: No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, PRC