CICC
中金公司

China International Capital Corporation Limited
中國國際金融股份有限公司

(A joint stock limited company incorporated in the People's Republic of China)

(Stock code: 3908)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board of directors of China International Capital Corporation Limited (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2017. This announcement, containing the main text of the 2017 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcement of interim results. The printed version of the Company's 2017 interim report will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.cicc.com in due course.

By order of the Board
China International Capital Corporation Limited
Secretary to the Board
Wu Bo

Beijing, August 25, 2017

As at the date of this announcement, the Executive Director of the Company is Mr. Bi Mingjian; the Non-executive Directors are Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson; and the Independent Non-executive Directors are Mr. Edwin Roca Lim, Mr. Liu Li, Mr. Siu Wai Keung and Mr. Ben Shenglin.

Core Values

People-oriented with Nation in Mind
以人為本，以國為懷

People are our most valuable resource. We make great efforts to attract, cultivate and retain the best people. "Acting as the international investment bank of China" has been our historical mission since the inception of CICC. We always regard promoting and servicing the reform of the national economic system and the development of the Chinese capital market as our due responsibilities.

Diligent and Professional
勤奮專業

We develop business with the highest professional standards, and have nurtured a team of high quality financial talents with international vision, who are diligent, responsible and agree with our corporate culture.

Active and Enterprising
積極進取

Innovation is the driving force for the sustainable development of CICC. With excellent talents, panoramic vision, close cooperation with customers and extensive experience, we can always feel and capture the latest pulse of market and provide innovative products and high quality services to our customers.

Clients First
客戶至上

Client service is always our first priority. We maintain long-term relationships with our clients and provide them with value-added services.

Integrity as Foundation
至誠至信

Our reputation is our biggest asset and is built upon the utmost professional integrity and highest ethical standards. We never compromise on integrity.

Chinese Roots and International Reach
植根中國、融通世界

As a China-based global investment bank, we are proud of our China roots and our international DNA. We strive to bridge China and the world by providing best-in-class services to both Chinese and overseas clients.

CONTENT

Definitions

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

"Acquisition"	the acquisition by our Company of 100% of the equity interest of CISC from Huijin pursuant to the Equity Transfer Agreement
"Articles of Association"	the articles of association of the Company (as amended from time to time)
"Basic and diluted earnings per share"	(profit attributable to shareholders of the Company and holders of other equity instruments – interest for holders of perpetual subordinated bonds for the period)/ weighted average number of ordinary shares in issue
"Board" or "Board of Directors"	the board of directors of the Company
"China Investment Consulting"	China Investment Consulting Co., Ltd.* (中國投資諮詢有限責任公司), a company incorporated in the PRC in March 1986 and a wholly owned subsidiary of Jianyin Investment and a Shareholder of our Company
"CICC Capital"	CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a company incorporated in the PRC in March 2017 and a wholly owned subsidiary of our Company
"CICC Fund Management"	CICC Fund Management Co., Ltd* (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly owned subsidiary of our Company
"CICC Futures"	CICC Futures Co., Ltd., a wholly owned subsidiary of our Company, which was known as Fortune Futures Co., Ltd.* (財富期貨有限公司) before being acquired by our Company in 2015
"CICC Hong Kong"	China International Capital Corporation (Hong Kong) Limited (中國國際金融（香港）有限公司), a company incorporated in Hong Kong in April 1997 and a wholly owned subsidiary of our Company
"CISC"	China Investment Securities Company Limited (中國中投證券有限責任公司), a company incorporated in the PRC in September 2005 and a wholly owned subsidiary of our Company
"Company", "our Company" or "CICC"	China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock limited company incorporated in the PRC and whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 3908)
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"CSRC"	the China Securities Regulatory Commission* (中國證券監督管理委員會)

Definitions

"Directors"	directors of our Company
"Domestic Share(s)"	issued ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
"Equity Transfer Agreement"	the equity transfer agreement entered into between our Company and Huijin dated November 4, 2016, pursuant to which our Company agreed to purchase and Huijin agreed to sell 100% of the equity interest of CISC
"EUR"	Euro, the lawful currency of the eurozone
"FICC"	fixed income, commodities and currencies
"Gearing ratio"	(total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)
"GIC"	GIC Private Limited, a company incorporated in Singapore in May 1981 and a Shareholder of our Company
"Great Eastern"	The Great Eastern Life Assurance Company Limited, a company incorporated in Singapore in 1908 and a Shareholder of our Company
"Group", "our Group"or "we"	our Company and our subsidiaries (or with reference to the context, our Company and anyone or more of our subsidiaries)
"H Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars
"HK dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Huijin"	Central Huijin Investment Ltd.* (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government, which directly and indirectly held approximately 58.65% of the equity interests in our Company
"I&G"	China National Investment and Guaranty Corporation* (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993 and a Shareholder of our Company
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)

Definitions

"Jianyin Investment"	China Jianyin Investment Ltd.* (中國建銀投資有限責任公司), a company incorporated in the PRC in June 1986 and a wholly owned subsidiary of Huijin and a Shareholder of our Company
"JIC Investment"	JIC Investment Co., Ltd. (建投投資有限責任公司), a company incorporated in the PRC in October 2012 and a wholly owned subsidiary of Jianyin Investment and a Shareholder of our Company
"KKR Institutions Investments"	KKR Institutions Investments L.P., a limited partnership established in Delaware on February 8, 2010 and a Shareholder of our Company
"Latest Practicable Date"	August 23, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Mingly"	Mingly Corporation, a company incorporated in Cayman Islands, and registered in Hong Kong in 1988 and a Shareholder of our Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules
"MOF"	the Ministry of Finance of the PRC* (中華人民共和國財政部)
"Net capital"	refers to net assets after risk adjustments on certain types of assets as defined in the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies
"PBOC" or "Central Bank"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China, and for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"QFII"	Qualified Foreign Institutional Investor* (合格境外機構投資者)
"Reporting Period"	the six months period ended June 30, 2017
"REPOs"	financial assets sold under repurchase agreements
"Reverse REPOs"	financial assets held under resale agreements
"RMB"	Renminbi, the lawful currency of the PRC
"RQFII"	Renminbi Qualified Foreign Institutional Investor* (人民幣合格境外機構投資者)

Definitions

"Securities Law"	the Securities Law of the PRC as amended, supplemented or otherwise modified from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Supervisors"	supervisors of our Company
"Supervisory Committee"	the supervisory committee of our Company
"TPG"	TPG Asia V Delaware, L.P., a limited partnership established in the United States in 2009 and a Shareholder of our Company
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "US$"	United States dollars, the lawful currency of the United States
"Weighted average return on net assets"	net profit attributable to shareholders of the Company/weighted average of equity attributable to shareholder of the Company
"%"	per cent

Notes:

Certain amounts and percentage figures included in this report have been subject to rounding. Accordingly, the arithmetic sum shown in certain tables may not be the total of the figures preceding them. Any discrepancies in any table or chart between the arithmetic sum shown and the total of the amounts listed are due to rounding.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "*" and are provided for identification purposes only.

Company Profile

Name in Chinese:	中國國際金融股份有限公司
Name in English:	China International Capital Corporation Limited
Legal representative:	Bi Mingjian(note)
Chairman:	Bi Mingjian(note)
Chief Executive Officer:	Bi Mingjian
Registered capital:	RMB3,985,130,809
Headquarters in the PRC:	
Registered address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Office address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Company website	http://www.cicc.com
E-mail	Investorrelations@cicc.com.cn
Principal place of business in Hong Kong:	29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Secretary to the Board:	Wu Bo
Address	27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Telephone	+86-10-65051166
Facsimile	+86-10-65051156
Joint Company Secretaries:	Wu Bo, Zhou Jiaxing
Authorized Representatives:	Bi Mingjian, Zhou Jiaxing
Auditors:	
Domestic accounting firm	KPMG Huazhen LLP
International accounting firm	KPMG

Note: Mr. Ding Xuedong resigned from the office of the Chairman of the Board and legal representative of the Company due to work rearrangement, with effect from February 27, 2017. As approved by the Board, Mr. Bi Mingjian, the executive Director and Chief Executive Officer, has started to perform the duties of the Chairman of the Board and legal representative since March 1, 2017.

Financial Summary

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Item(s)	Six months ended June 30, 2017	Six months ended June 30, 2016	Changes over the corresponding period of last year
Operating results[1] (RMB in million)			
Total revenue and other income	5,867.1	3,220.8	82.2%
Total expenses	4,429.2	2,507.2	76.7%
Profit before income tax	1,477.3	739.4	99.8%
Profit for the period – attributable to shareholders of the Company and holders of other equity instruments	1,110.8	574.9	93.2%
Net cash used in operating activities	(5,301.3)	(240.2)	2,107.4%
Earnings per share (RMB/share)			
Basic and diluted earnings per share	0.34	0.24	41.7%
Weighted average return on net assets	4.1%	3.5%	Increased by 0.7 percentage points

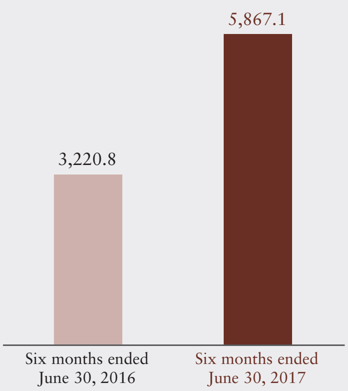
Item(s)	June 30, 2017	December 31, 2016	Changes over the end of last year
Financial position (RMB in million)			
Total assets	203,372.6	101,948.5	99.5%
Total liabilities	167,792.8	83,451.7	101.1%
Total equity attributable to shareholders of the Company and holders of other equity instruments	35,423.4	18,446.9	92.0%
Accounts payable to brokerage clients	53,463.0	17,392.4	207.4%
Total share capital (in million shares)	3,985.1	2,306.7	72.8%
Net assets per share attributable to shareholders of the Company (RMB/share)	8.6	7.6	14.2%
Gearing ratio (%)	76.3%	78.1%	Decreased by 1.9 percentage points

(1) Our Group has included CISC in our consolidated financial statements. The operating results disclosed for the period has consolidated the corresponding amount of CISC from April 1, 2017 to June 30, 2017.

Financial Summary

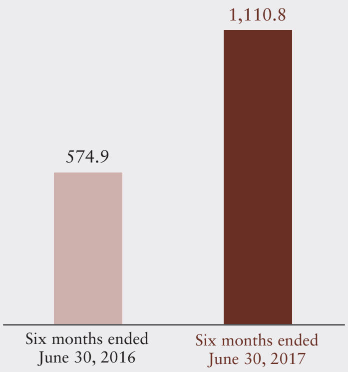
Total revenue and other income

RMB in million

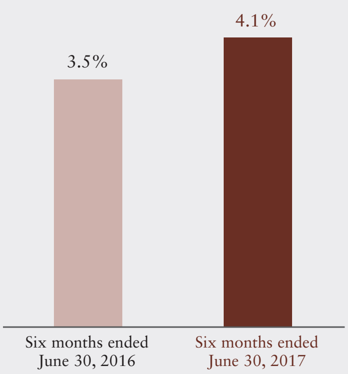


Profit for the period – attributable to shareholders of the Company and holders of other equity instruments

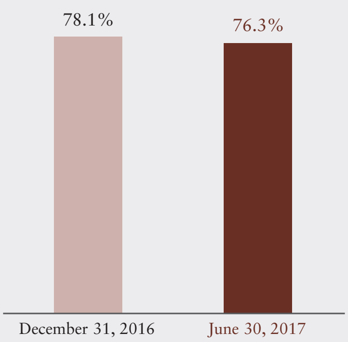
RMB in million



Weighted average return on net assets

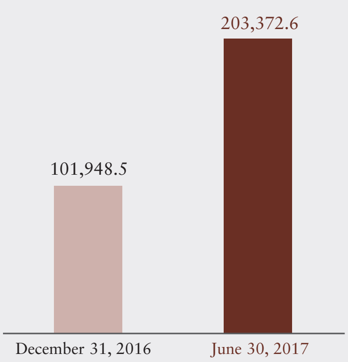


Gearing ratio



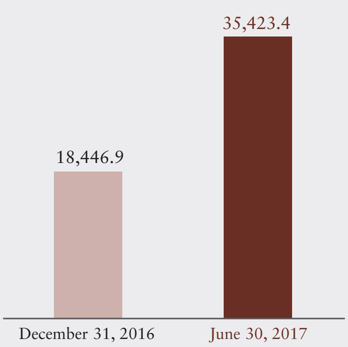
Total assets

RMB in million



Total equity attributable to shareholders of the Company and holders of other equity instruments

RMB in million



Financial Summary

II. NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS

As at June 30, 2017, the net capital of our Company was RMB17,820.7 million, representing an increase of 25.8% compared with RMB14,164.2 million as at December 31, 2016. During the Reporting Period, each of the risk control indicators including net capital of our Company has met the regulatory requirements.

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016
Core net capital	12,120.7	9,442.8
Supplementary net capital	5,700.0	4,721.4
Net capital	17,820.7	14,164.2
Net assets	33,335.7	16,850.3
Total risk capital reserves	10,467.5	9,775.0
Total on- and off-balance-sheet assets	95,872.4	63,965.7
Risk coverage ratio	170.2%	144.9%
Capital leverage ratio	12.6%	14.8%
Liquidity coverage ratio	370.5%	227.3%
Net stable funding ratio	130.7%	130.3%
Net capital/net assets	53.5%	84.1%
Net capital/liabilities	31.7%	34.8%
Net assets/liabilities	59.3%	41.4%
Equity securities and related derivatives held/net capital	58.2%	46.9%
Non-equity securities and related derivatives held/net capital	239.0%	242.9%

Management Discussion and Analysis

I. ANALYSIS OF PRINCIPAL BUSINESSES

On November 4, 2016, our Company and Huijin entered into the Equity Transfer Agreement, pursuant to which, our Company agreed to acquire, and Huijin agreed to sell, 100% of the equity interest of CISC. The consideration for the Acquisition is RMB16,700.695 million (equivalent to approximately HKD19,391.903 million) which were satisfied by the 1,678,461,809 Domestic Shares to be allotted and issued by our Company to Huijin. The Company became the sole shareholder of CISC on March 21, 2017. 1,678,461,809 Shares had been issued as fully paid to Huijin on April 12, 2017. For details of the Acquisition, please refer to the announcement dated April 12, 2017 as published by the Company in respect of the completion of the Acquisition. Based on the aforementioned Equity Transfer Agreement, Huijin was entitled to or bore the profit or loss incurred by CISC during the transition period (from July 1, 2016 to March 31, 2017). Therefore, the analysis of principal businesses in this section covers the performance of CISC for the period from April 1, 2017 to June 30, 2017.

CISC is a fully-licensed securities firm in the PRC with an extensive and well-established branch network, a large customer base and an integrated business platform. Following the integration, the Company strategically focuses on wealth management business to combine our brand, experience, product and service capabilities with the huge customer base and widely-covered securities branches of CISC, to form a business model with long-term competitive strength and growth potential, and build a leading wealth management platform in China.

Investment Banking

Equity Financing

Market Environment

During the first half of 2017, the A-share IPO market remained active. Due to regulatory policy changes, the overall size of non-public follow-on offerings (as the main channel of A-share refinancing) recorded a substantial decline compared with the first half of 2016. During the first half of 2017, 237 A-share IPOs were completed, with an aggregate financing size of approximately RMB116,646 million, representing an increase of 277.0% compared with the corresponding period of 2016; and 144 follow-on offerings were completed, with an aggregate financing size of approximately RMB274,868 million, representing a decrease of 45.5% compared with the corresponding period of 2016.

In the Hong Kong primary market, IPO activities remained relatively subdued with a significant rebound in sell-downs and refinancings. During the first half of 2017, 22 Hong Kong IPOs were completed, with an aggregate financing size of approximately US$6,342 million, representing a decrease of 8.2% compared with the corresponding period of 2016; in terms of refinancings and sell-downs, 77 transactions were closed with an aggregate amount of approximately US$8,219 million, representing an increase of 98.3% compared with the corresponding period of 2016.

Actions and Achievements

In the past two years, we enjoyed sustained growth in the mainland and Hong Kong primary equity markets, thanks to our persistent efforts in expanding our client base and building up our pipeline. In the meantime, we managed to withstand the challenges amid an increasingly tightened regulatory environment in both domestic and overseas primary market, thanks to our rigorous quality control practices.

During the first half of 2017, our Company closed a total of six A-share IPOs, with an aggregate amount of approximately RMB5,994 million acting as lead underwriter; and our Company led seven A-share refinancing deals, with an aggregate amount of approximately RMB20,636 million acting as lead underwriter, representing a growth of 19.2% compared with the first half of 2016.

Management Discussion and Analysis

During the first half of 2017, our Company sponsored a total of five Hong Kong IPOs of PRC-based companies with an aggregate amount of approximately US$664 million acting as lead underwriter, representing a growth of 36.6% compared with the first half of 2016. We ranked No. 1 sponsor for Hong Kong IPOs of PRC-based companies by number of deals. Besides, our Company led three sell-down and refinancing deals of PRC-based companies with an aggregate amount of approximately US$220 million acting as lead underwriter.

Outlook for the second half of 2017

For the second half of 2017, we will continue to increase our share in the domestic and overseas equity financing markets, particularly in the domestic IPO market, by ensuring efficient execution of major transactions in pipeline. On the refinancing side, we will continue to expand our refinancing services for public companies along with the trends of SOE reform and industry consolidation. Meanwhile, we will leverage the network and customer resources of CISC to further strengthen our coverage over medium-cap public companies, so as to enhance our share in the domestic refinancing market.

Debt and Structured Financing

Market Environment

During the first half of 2017, affected by financial deleveraging in the domestic capital market and tightening monetary policies of the Central Bank, the yields in the domestic bond market registered a significant increase while the total amount of issuance in primary markets shrank. During the first half of 2017, the total amount of onshore credit bond issuance reached approximately RMB3.6 trillion, representing a decrease of 33.6% compared with the first half of 2016. In the overseas market, the sound momentum was maintained for primary issuance by PRC-based issuers in the first half of 2017, which amounted to approximately US$123,176 million in aggregate, representing an increase of 107.6% compared with the first half of 2016. The domestic and overseas convertible bond market corrected on changing regulatory policies. During the first half of 2017, the domestic and overseas issuance size of convertible bond was approximately RMB32,651 million and US$585 million respectively, representing an increase of 62.8% and a decrease of 62.3%, respectively compared with the same period of 2016.

Actions and Achievements

During the first half of 2017, CICC further expanded our fixed income team and continued to increase investment in the development of cross-border business. Despite the substantial contraction in the domestic bond market, our fixed income team closed a total of 50 transactions, 19.4% less than the first half of 2016, with an aggregate financing size of approximately RMB406,689 million. Among which, 33 were onshore transactions with a total financing size of approximately RMB291,870 million, and 17 were offshore transactions with a total financing size of approximately US$16,874 million.

In 2017, upon the Acquisition, our bond business presence was further enhanced with our team and regional coverage substantially expanded. Meanwhile, our offshore bond underwriting business continued to grow robustly. During the first half of 2017, the number of offshore bond offerings led by our Company increased by 112.5% compared with the first half of 2016. Besides, we continued to rank No. 1 among Chinese securities firms in terms of overseas G3 investment-grade bond offerings by PRC-based companies in the first half of 2017.

In terms of product innovation, the Company completed the RUSAL (俄羅斯鋁業) Panda Bond offering, which was the first panda bond issued by a company along the "One Belt, One Road"; the offshore convertible bond offering of Zhejiang Expressway, which was the first convertible bond in the market issued by a PRC-based company under the EUR structure; and the USD bond of Hong Yang Group, which was the first USD bond issued by a non-listed real estate firm based in the PRC.

Outlook for the second half of 2017

For the second half of 2017, our Company will continue to capture market trends to enhance our product innovation and underwriting capacity. We will continue to strengthen team integration to explore the opportunity for development of onshore business and at the same time consolidate our edges in offshore business. We aim to fully capitalize on our onshore and offshore product capability and brand name to increase our offering size and market share in the bond and structured financing markets at home and abroad.

Management Discussion and Analysis

Financial Advisory Services

Market Environment

During the first half of 2017, the merger and acquisition ("M&A") market of PRC-based companies subsided compared with the same period of 2016. During the period, the amount of M&A transactions by PRC-based companies reached USD283,278 million, representing a decrease of 14.0% on the 2016 high base. Among these transactions, the amount of onshore M&A transactions reached USD191,689 million, representing an increase of 6.7% compared with the first half of 2016; and the amount of cross-border M&A transactions reached USD91,589 million, representing a decrease of 38.8% as compared with the first half of 2016.

Actions and Achievements

During the first half of 2017, our Company recorded a total transaction amount of USD17,107 million of M&A transactions by PRC-based companies according to Dealogic. Among these transactions, the aggregate amount of onshore M&A transactions reached USD16,366 million, and the aggregate amount of cross-border M&A transactions reached USD741 million.

Outlook for the second half of 2017

For the second half of 2017, our Company has announced several milestone transactions, including restructuring of large SOEs and cross-border mergers and acquisitions. We will exert our utmost efforts to ensure the successful completion of these M&A transactions. Meanwhile, we will introduce more cross-sellings during the execution of such transactions, to drive the growth of our Company as a whole.

Equities Business

Market Environment

During the first half of 2017, the A-share market stabilized and gained modestly despite some minor corrections. As at June 30, 2017, the Shanghai Composite Index closed at 3,192.43 points, representing an increase of 2.9% from the beginning of the year. The Shenzhen Stock Exchange Component Index closed at 10,529.61 points, representing an increase of 3.5% from the beginning of the year. The CSI 300 Index closed at 3,666.80 points, representing an increase of 10.8% from the beginning of the year. During the first half of 2017, the trading volume of stocks and funds in the A-share market contracted versus the same period of 2016. The average daily turnover reached RMB475.7 billion, representing a decrease of 17.4% compared with the first half of 2016. The competition for brokerage commission in the industry intensified. The average net commission rate during the first half of 2017 slid further to 3.4bps as of June, 2017, representing a decrease of 9.8% versus 2016.

During the first half of 2017, driven by factors such as capital inflow, the increased risk appetite of investors and expansion of Stock-Connect Program, the main indices in Hong Kong rose steadily with the average daily turnover of HKD76.0 billion, representing an increase of 12.6% compared with the same period of 2016. As at June 30, 2017, the Hang Seng Index closed at 25,764.58 points, representing an increase of 17.1% from the beginning of the year. The H-share Index closed at 10,365.22 points, representing an increase of 10.3% from the beginning of the year. The HSCCI closed at 4,005.23 points, representing an increase of 11.6% from the beginning of the year.

Actions and Achievements

During the first half of 2017, we maintained the strategic goal of "developing a comprehensive financial service platform" and leveraging our global, product and institutional strengths. Our Equities business continued to bring forward the integrated model of trading and product-related service offerings for our clients in exchange and OTC markets, both domestically and abroad, to generate revenue and at the same time promote the integration of a full-service platform in line with the overall strategy of our Company.

Management Discussion and Analysis

We have maintained relatively high productivity. During the first half of 2017, our Equities business recorded significant increase in revenue and outperformed both the domestic and overseas markets, implying a more optimized revenue mix with improving synergies from onshore and offshore businesses. During the first half of 2017, despite the depressed trading volume in the A-share market, we recorded a relatively significant increase in domestic revenues. In Hong Kong where trading turnover slightly increased as compared with same period of last year, we recorded a significant increase in the revenue from the overseas markets. Our trading market share in A-share and Hong Kong markets continued to grow steadily.

Our product revenue increased significantly. Our product business developed rapidly with its revenue contribution increasing to approximately 50%. Our Company continued to allocate more resources to the product team, to attract talents with international vision with practical domestic experience, while at the same time, strengthen the development and construction of product systems, focus on process control and risk and compliance management, to establish CICC's unique product platform. Our prime brokerage business kept growing, with the size of products running on the platform exceeding RMB100 billion. During the first half of 2017, our onshore and offshore product team introduced various new product structures, offering diverse alternatives to address clients' investments, hedging and asset allocation needs in key markets such as mainland China, Hong Kong, Taiwan, Australia, Europe and the United States.

Our cross-border strengths have been brought into full play. We continued to sharpen our competitive edge in cross-border equities business. During the first half of 2017, our market share in Shanghai/Shenzhen-Hong Kong Stock Connect remained high, with substantial growth compared with 2016. Among which, we ranked third in Hong Kong in terms of market share of Shenzhen Connect and Shanghai Connect, reaching about 9.8% and 6.7%, respectively. Our trading market share in Shenzhen Connect reached a record high in the second quarter. We remained in a leading position in terms of accumulative number of accounts opened in connection with Special Segregated Accounts Service (SPSA). By strengthening partnership with major custodians banks, we provided clients with diverse settlement solutions to satisfy the needs of clients of different types operating in different time zones. At home, our Company continued to strengthen our Hong Kong stock services for the large base of fund and insurance clients we have covered and maintained a leading trading market share in Hong Kong stocks. By strengthening collaboration between our onshore and offshore sales and product teams, we recorded growth in our cross-border business and further optimized our revenue mix.

Our penetration in our premier client base has been increased. We further expanded our presence among institutional clients, maintained a leading coverage among key client groups and a premium commission rate, and enjoyed steady growth of our shares in the domestic and overseas markets. During the first half of 2017, CICC's average A-share brokerage net commission rate was 5.0bps. As of June 30, 2017, our Company continued to take the lead with 193 QFII/RQFII clients, accounting for over 40% market share. By leveraging our quality institutional client base, we provided strong sales support for domestic and overseas primary market transactions, including IPOs, private placements, bond issuances, block trades, M&A advisory, etc.

We have built an elite team comprising of multi-skilled talents. We have fostered a team of talents capable of offering high-end integrated financial services across different regions, markets and products. Our team has maintained very high per headcount productivity and strong competitiveness in the industry. Our Company has been granted by *Asiamoney* "the Award for the Best Overall Sales Services" in China for 11 consecutive years, and many of our sales people and traders were awarded personal prizes as well. We were also named as the "2016 Best Broker of Shanghai-Hong Kong Connect and Shenzhen-Hong Kong Connect of Financial Sector in Greater China" by *Institutional Investors*.

Management Discussion and Analysis

Outlook for the second half of 2017

For the second half of 2017, we will fully utilize CICC's franchise and platform to increase our market share in the A-share and Hong Kong stock markets, maximize our strengths in the area of high-end institutional client services for mutual funds, insurance companies, QFIIs/RQFIIs, private asset managers, banks and enterprises, while facilitating cross-selling among all regions and products and enhancing our influence amongst domestic and overseas institutional clients. Moreover, we will continue to strengthen our product capability from the aspects of balance sheet management, IT system building, operational support, and process control, to achieve growth in assets and products. We will maintain our leading edge in cross-border business. By further promoting our solutions for Shanghai-Hong Kong Connect and Shenzhen-Hong Kong Connect, we will cover broader range of investors and enhance our market share of Shanghai-Hong Kong Connect and Shenzhen-Hong Kong Connect. By capturing the attention and investment mandates of foreign investors on A-share market following MSCI's inclusion of A shares in its Emerging Markets Index, we will continue to expand our domestic and overseas product offerings to cover major trading markets and asset classes, and develop domestic and overseas derivatives business, to provide our clients with more diverse instruments for global asset allocation.

FICC

Market Environment

During the first half of 2017, the domestic macro economy remained stable with falling inflationary expectations. However, regulatory policies relating to deleveraging brought greater impact to the bond market. The Central Bank, on one hand, raised the reverse REPO rate twice while the CBRC, on the other hand, issued a number of policy documents to tighten regulation. The deleveraging process together with the increased sell-offs in bond markets and the weak subscription demand in primary markets resulted in further flattened yield curves, which reached periodical highs in early June. In mid to late June, the bond market sentiment was boosted and the yields declined on easing regulatory environment and improving liquidity. Credit spreads narrowed along with falling interest rates. Credit bond financing during the first half of 2017 shrank as a result of weakened demand, resulting in net decrease in total outstanding.

Actions and Achievements

During the first half of 2017, our Company forged ahead on the FICC platform building efforts and started to integrate CISC's FICC business. Our Company continued to strengthen our distribution and trading capabilities, while making steady progress in building up our structured product and asset securitization businesses. During the first half of 2017, against the regulatory deleveraging and rising yields environment, our FICC business achieved positive returns by further strengthening risk control and prudently capturing market opportunities.

Outlook for the second half of 2017

Our Company will continue to improve the FICC platform. We endeavor to deliver solid returns in trading activities and principal investments, while keeping risks well managed. Our Company will continue to strengthen all FICC business lines, enhance our structuring capabilities for all types of financial products, and provide our clients with customized services in investment, financing and risk management.

Wealth Management

Market Environment

During the first half of 2017, brokerage commission income of the industry continued to fall compared with the first half of 2016 due to the decline in market trading activities and commission rates. Meanwhile, the strong growth of private wealth in China, particularly the rapidly expanding high net worth population and their assets, continued to fuel the development of the wealth management industry. The trend that residents' wealth has been shifting from bank deposits to financial assets remained unchanged. Going forward, in light of the vast potential of wealth management business based on sophisticated product and service offerings, it will become a major trend for domestic securities firms to develop one-stop wealth solutions to address the diverse needs of high net worth population.

Management Discussion and Analysis

Actions and Achievements

During the first half of 2017, on the one hand, our Company continued to enhance our wealth management platform, and optimize the existing organizational structure by establishing the Wealth Management Service Centre to further highlight the functions of wealth research and product service, and build an integrated wealth service platform in line with our overall strategy for the wealth management business. On the other hand, against the increasingly stringent regulatory environment and ongoing financial deleveraging during the first half of the year, we continued to broaden our customer base, with a focus on offering diverse services to satisfy the investment and financing needs of high net worth customers, and to leverage our strengths in executing complex transactions to capture more customer resources, improve services and optimize our revenue mix. Meanwhile, based on our deep understanding of wealth management business, we continued to strengthen the construction and development of IT platforms, and enhanced our professional skills and service quality through technical support platform planning. We improved functions of the technical support system, established our differentiated advantages, and continued to increase our investment.

During the first half of 2017, our Company completed the Acquisition. The transaction was expected to help promote the transformation and upgrading of our wealth management business, contribute to a more balanced business structure of our Group, and generate significant synergies between different business lines. By linking CICC's brand, experience, product, IT system and service capability with CISC's huge client base and extensive business coverage, we have built up the most leading and dynamic wealth management platform in China. For our integration with CISC, CICC and CISC facilitated sharing of management model and management experience between teams, and worked on pilot projects. We had active exchange and sharing in areas such as categorization and ongoing development and coverage of customers, personnel training, as well as incentives and review methods, to promote the continued optimization of our wealth management platform. In the meantime, we leveraged the Wealth Management Service Centre to bring our investment research and product service capabilities into CISC. By leveraging the respective advantages of our Company and CISC, we worked hard to push forward business transformation and upgrade.

As of June 30, 2017, for CICC, the number of wealth management clients reached 35,540, representing an increase of 18.6% compared with the end of 2016; total client assets reached approximately RMB687,789 million, representing an increase of 11.1% compared with the end of 2016; assets per account exceeded RMB19 million. CISC had 5,047 institutional clients, 328,402 wealthy clients and 2,375,043 retail clients, whose assets reached RMB1,084,686 million, RMB270,582 million and RMB54,207 million, respectively. The total sales of financial products of the wealth management business of CICC during the first half of 2017 and CISC during the second quarter of 2017 reached RMB10,543 million and RMB3,160 million, respectively.

In the "China's Wealth Management Institution Junding Award" (中國財富管理機構君鼎獎) held by *Securities Times*, CICC Wealth Management received the "2017 China's Wealth Management Brand Junding Award" (2017中國財富管理品牌君鼎獎).

Outlook for the second half of 2017

In the second half of 2017, we will strengthen team cooperation with CISC. By jointly carrying out business development, customer coverage, and customer development, we will deepen our exchanges with different teams of CISC, provide our customers with first class services, and accelerate the integration progress. In the meantime, we will strengthen the construction of IT platforms and capacity building of our teams. By leveraging our proactive management system, comprehensive training mechanism, strong and effective platform support as well as advanced and effective appraisal system, we will improve the hierarchy of teams and succession plans, and effectively introduce our wealth management business model and knowhow to CISC to promote the efficient implementation of the business transformation plan, to ensure successful business expansion and upgrade.

Management Discussion and Analysis

In the second half of 2017, we will further upgrade our wealth service centre. While strengthening the stability of basic trading services, we will work diligently to promote the innovation and development of products and capital-based business. By stepping up reform and marketing, we will do our utmost to continuously optimize our revenue structure, keep pace with industry development trend and meet regulatory requirements, make every attempt to ensure smooth and orderly operation of our business. Moreover, we will strive to enhance our brand presence in the market and further expand business channels, to remain as the top one "Wealth Management" brand in the industry.

Investment Management

Asset Management

Market Environment

In the first half of 2017, driven by ongoing financial deleveraging and de-channeling, following regulators' guidance to shift the industry back to active asset management, and intensified market competition, the asset management market in China experienced certain forms of pressure for business adjustment and transformation. As of June 30, 2017, the total size of assets under management (AUM) of the domestic securities companies reached approximately RMB17.8 trillion (excluding the size of ABS products and funds managed by private equity subsidiaries), representing a slowdown in growth rate. The "conduit" products still dominated the market. In light of growing market scale, further diversification of market participants and gradual improvement of market mechanisms, asset management businesses of securities companies is facing opportunities and challenges.

Actions and Achievements

Our Company focuses on active management. Always putting clients' interest at heart, our Company provides high quality investment management service to institutional clients and high-net-worth individuals. During the first half of 2017, our Company continued to enhance its investment research capabilities, improve the product system, strengthen the support capacity of mid-and-back-office functions and quality of customer services, earning the long-term trust of clients. We have reported a steady growth of AUM.

As of June 30, 2017, our Group had a total AUM of RMB263,157 million, representing an increase of 53.4% as compared with the end of 2016, of which, the AUM of CISC reached RMB65,903 million. By product line, the AUM of collective asset management products, segregated asset management products (including NSSF and corporate annuities) and special asset management products stood at RMB29,230 million, RMB196,750 million and RMB37,178 million, respectively. We had altogether 599 products under management, of which CISC had 306 products under management. Most of our products were under active management.

Assets Under Management of The Group (RMB million)	**June 30, 2017**	December 31, 2016
Type		
Collective asset management products	**29,230**	13,124
Segregated asset management products	**196,750**	143,744
Special asset management products	**37,178**	14,691
Total	**263,157**	171,559

Management Discussion and Analysis

In terms of client mix, we continued to focus on domestic and overseas institutional clients, while actively developing high net worth clients and providing them with comprehensive products and services. During the first half of 2017, the size of assets under management from institutional clients grew steadily. In particular, the AUM of corporate annuities and collective pension plans increased more than 10% compared with the end of last year. In the meantime, we have witnessed breakthroughs in developing bank retail channels as well as servicing high net worth clients.

Outlook for the second half of 2017

For the second half of 2017, the Company will seize the opportunities in the asset management industry, proactively respond to regulatory changes, continue to focus on active management, and strengthen our investment research, to actively develop new clients and diversify our product offerings. The Company will continue to adhere to the core values of "Clients First(客戶至上), Pursuit of Perfection(精益求精) and Integrity as Foundation(至誠至信)" and capture opportunities for business innovation and breakthrough so as to realize the long-term stable appreciation of assets for our clients.

Mutual Fund

Market Environment

Following the joint actions of the PBOC, CSRC, CBRC and CIRC to tighten and centralize regulation on the asset management business, the growth of channel-related business declined, the capital outflows from banks' wealth management arms started to decrease, which benefited the mutual fund business. In addition, the yield curve slightly skewed up, which boosted strong growth of monetary funds, driving the asset size of mutual funds to hit new highs. The total size of AUM by domestic mutual funds increased to RMB10.1 trillion from RMB9.2 trillion as at the end of 2016.

Actions and Achievements

During the first half of 2017, by taking advantage of our Company's strategic initiative of ramping up the wealth management business, CICC Fund made great efforts in exploring new distribution channels, and strengthening the research and design of a greater variety of products to accommodate different risk appetites of customers. Thus, the size of AUM continued to grow. As at June 30, 2017, the AUM of CICC Fund was RMB10,294 million, with a growth of 15.0% as compared with the end of 2016. In particular, the size of mutual funds increased to RMB5,262 million, with a growth of 47.7% compared with the end of 2016; and the size of AUM for segregated investment accounts was RMB5,031 million.

Outlook for the second half of 2017

In the second half of 2017, CICC Fund will continue to strengthen our investment research, product and distribution teams, as well as the middle- and back-offices, and continue to attract good people. Our Company will carry out product innovation in line with changing market conditions, strengthen our product pipeline and strategy design, to further improve our investment performance and enhance asset management capacity.

Private Equity Investment

Market Environment

During the first half of 2017, the private equity investment market of China remained very active. A few hundred private equity investment funds announced establishment or commencement of fundraising, with target amounts of fundraising reaching the peak level in recent years. However, affected by macroeconomic factors such as tightened liquidity, the actual funds raised and investments made by private equity funds in China dropped. On the exit side, due to a general pickup in IPOs during the first half of the year, a number of private equity funds realised exit, recording a significantly higher return compared to the historical average level.

Management Discussion and Analysis

Actions and Achievements

During the first half of 2017, CICC established a wholly-owned subsidiary, CICC Capital, as its sole private equity investment platform to carry out for the management of domestic and foreign private equity investment funds, which has been working on the consolidation of various private equity business entities of our Company. CICC Capital aims to become a private equity management platform which possesses comprehensive middle- and back-office functions, strong brand influence as well as outstanding financing and investment capabilities. In the meantime, CICC Capital will continue to pursue product and business expansion by further diversifying product lines, and expanding industrial and geographical coverage. Currently, the fund types managed by CICC Capital cover government venture capital funds, stock economic reform funds, US fund of funds, US equity investment funds, RMB equity investment funds and M&A funds. As of June 30, 2017, the overall size of AUM of our Group reached approximately RMB211,255 million, of which the sizes of funds managed by controlled fund management companies and funds managed by joint-venture fund management companies were approximately RMB129,724 million, with an increase of 42.0% compared with the end of 2016; and RMB81,531 million, with an increase of 295.7% compared with the end of 2016, respectively.

Outlook for the second half of 2017

For the second half of 2017, CICC Capital will continue to make active explorations in innovative investment areas and business models, to build up a multi-layered, full-scope equity investment platform, improve our management mechanism, enhance our franchise, and deliver solid returns to our investors.

Research

Our research team covers global markets and provides services to clients both at home and abroad through CICC's offices and platforms across the world. The scope of our research products and investment analysis ranges from macro economy and market strategy to asset allocation, equities, commodities, and derivatives. As of June 30, 2017, our research team employed a high-caliber team of more than 100 experienced professionals, and covered more than 40 sectors as well as over 1,000 stocks listed in mainland China, Hong Kong, New York and Singapore. More than two-thirds of its research reports are issued bilingually in English and Chinese.

Our Company has won recognition from major domestic and overseas investors for its independent, unbiased and insightful research products. During the first half of 2017, we published more than 7,000 reports in English and/or Chinese. On the back of our numerous sector and company reports, we assembled a series of in-depth thematic reports, such as *The Theme Study on 300 Million New Consumers Coming to Town, The Series Study on NEEQ, The Mystery of China's Real Estate Market Data, The Cyclical Recovery Series, The Artificial Intelligence AI+ Series, The Theme Study on China's Private Education Industry and The Theme Study on the "Belt and Road" Initiative*. These research products showcase our profound understanding of China. Our competitive edges in both quality and quantity have earned us the reputation as the "China Expert".

II. ANALYSIS OF FINANCIAL STATEMENTS

Upon completion of the Acquisition, CISC has become a wholly-owned subsidiary of the Company, and CISC's financial information has been consolidated into the financial statements of the Group. As the legal title of the equity interest in CISC had been passed to the Company on March 21, 2017 and Huijin was entitled to or bore the profit or loss incurred by CISC during the transition period based on the aforementioned Equity Transfer Agreement, all items regarding CISC's profit or loss and other comprehensive income and cash flows in this report are recorded during the period from April 1, 2017 to June 30, 2017.

Management Discussion and Analysis

The integration has significantly affected our Group's overall operating results and financial position. As at June 30, 2017, CISC's total assets amounted to RMB74,248.5 million, accounting for 36.5% of the total assets of the Group; total liabilities amounted to RMB59,360.4 million, accounting for 35.4% of the total liabilities of the Group; total equity amounted to RMB14,888.1 million, accounting for 41.8% of the total equity of the Group. During the first half of 2017, CISC's total revenue and other income attributable to the Group amounted to RMB1,286.4 million, accounting for 21.9% of the total revenue and other income of the Group; total expenses attributable to the Group amounted to RMB1,029.0 million, accounting for 23.2% of the total expenses of the Group; net profit attributable to the Group amounted to RMB203.7 million, accounting for 18.0% of the net profit of the Group; cash and cash equivalents attributable to the Group amounted to RMB10,746.0 million, accounting for 51.7% of the cash and cash equivalents of the Group. The detailed financial impact of CISC is further elaborated in the analysis of the financial statements below.

(i) Profitability Analysis of the Company

During the first half of 2017, driven by significant improvement in investment management business, wealth management business and equities business and influenced by factors such as the Acquisition, our Group's revenue and profit has increased significantly compared with that for the same period last year. During the first half of 2017, our Group realized a total revenue and other income of RMB5,867.1 million, representing a year-on-year increase of 82.2%. CISC realized total revenue and other income of RMB1,286.4 million. Excluding that of CISC, the total revenue and other income of the Group represented an increase of 42.2% compared with that for the first half of 2016; the investment banking business realized a revenue of RMB726.0 million, representing a decrease of 0.6% compared with that for the first half of 2016; the equities business realized a revenue of RMB1,348.6 million, representing an increase of 44.8% compared with that for the first half of 2016; the FICC business realized a revenue of RMB722.7 million, representing an increase of 21.6% compared with that for the first half of 2016; the wealth management business realized a revenue of RMB762.9 million, representing an increase of 46.1% compared with that for the first half of 2016; the investment management business realized a revenue of RMB896.2 million, representing an increase of 168.9% compared with that for the first half of 2016; other businesses realized a revenue of RMB124.2 million, representing an increase of 13.7% compared with that for the first half of 2016.

During the first half of 2017, our Group's total expenses amounted to RMB4,429.2 million, representing an increase of 76.7% compared with that for the first half of 2016. CISC's total expenses amounted to RMB1,029.0 million. Excluding that of CISC, our Group's total expenses represented an increase of 35.6% compared with that for the first half of 2016, mainly due to the increase of 50.2% and 45.5% in staff costs and interest expenses, respectively.

During the first half of 2017, our Group realized profit attributable to shareholders of our Company and holders of other equity instruments of RMB1,110.8 million, representing a year-on-year increase of 93.2%; CISC realized profit attributable to shareholders of our Company and holders of other equity instruments of RMB202.4 million. Excluding that of CISC, the Group's profit attributable to shareholders of our Company and holders of other equity instruments increased by 58.0% compared with that for with the six months ended June 30, 2016. The Group realized basic and diluted earnings per share of RMB0.34, representing an increase of 41.7% compared with that for the first half of 2016 and the weighted average return on net assets amounted to 4.1%, representing an increase of 0.7 percentage points compared with that for the first half of 2016.

Management Discussion and Analysis

(ii) Asset Structure and Quality

As at June 30, 2017, the equity attributable to shareholders of our Company and holders of other equity instruments amounted to RMB35,423.4 million, increasing by RMB16,976.4 million or 92.0% compared with that at the end of 2016, mainly due to the consideration shares, amounted to RMB16,700.7 million, which our Company issued to Huijin for the acquisition of CISC.

The asset structure remained relatively stable and the asset quality and liquidity maintained at a good level. As at June 30, 2017, the total assets of the Group amounted to RMB203,372.6 million, representing an increase of 99.5% or RMB101,424.1 million compared with that at the end of 2016. CISC's total assets amounted to RMB74,248.5 million. Excluding that of CISC, the total assets of the Group increased by RMB27,175.6 million or 26.7% compared with that at the end of 2016. After the deduction of accounts payable to brokerage clients, the Group's total assets amounted to RMB149,909.6 million, increasing by RMB65,353.4 million or 77.3% compared with that at the end of 2016. The Group's financial assets at fair value through profit or loss and derivative financial assets amounted to RMB71,917.0 million, accounting for 35.4% of total assets; cash and bank balances amounted to RMB21,292.5 million, accounting for 10.5% of total assets; receivables from margin clients and reverse REPOs amounted to RMB29,164.4 million, accounting for 14.3% of total assets; interest in associates and joint ventures and available-for-sale financial assets amounted to RMB13,394.2 million, accounting for 6.6% of total assets. During the Reporting Period, the Group has no significant impairment in its assets.

As at June 30, 2017, the total liabilities of the Group amounted to RMB167,792.8 million, increasing by RMB84,341.1 million or 101.1% compared with that at the end of 2016; CISC's total liabilities amounted to RMB59,360.4 million. Excluding that of CISC, the total liabilities of the Group increased by RMB24,980.7 million or 29.9% compared with that at the end of 2016. After deduction of accounts payable to brokerage clients, the total liabilities of the Group amounted to RMB114,329.8 million, increasing by RMB48,270.4 million or 73.1% compared with that at the end of 2016. The Group's REPOs amounted to RMB29,599.8 million, accounting for 17.6% of total liabilities; long-term and short-term debt securities issued amounted to RMB37,372.8 million, accounting for 22.3% of total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB12,359.5 million, accounting for 7.4% of total liabilities; placements from financial institutions amounted to RMB3,631.1 million, accounting for 2.2% of total liabilities.

The gearing ratio was relatively stable. As at June 30, 2017, after deduction of accounts payables to brokerage clients, the gearing ratio of the Group was 76.3%, decreasing by 1.9 percentage points from the gearing ratio of 78.1% as at December 31, 2016.

Management Discussion and Analysis

(iii) Cash Flows

If excluding the impact of cash held on behalf of our brokerage clients, the cash and cash equivalents of the Group in the first half of 2017 had a net increase of RMB10,982.6 million, while the net increase in cash and cash equivalents in the same period of 2016 was RMB3,285.9 million, representing an increase of RMB7,696.7 million. CISC's cash and cash equivalents amounted to RMB10,746.0 million. Excluding that of CISC, the Group's net increase in cash and cash equivalents decreased by RMB3,049.2 million compared with that for the first half of 2016, mainly due to the significant increase in net cash used in operating activities during the first half of 2017.

Net cash used in operating activities in the first half of 2017 was RMB5,301.3 million, while in the same period of 2016 the net cash used in operating activities was RMB240.2 million. CISC's net cash used in operating activities amounted to RMB470.8 million. Excluding that of CISC, the Group's net cash used in operating activities increased by RMB4,590.3 million compared with that for the first half of 2016, mainly due to the increase in cash used for financial assets at fair value through profit or loss and available-for-sale financial assets in operating activities.

Net cash generated from investing activities in the first half of 2017 was RMB8,193.8 million, while in the same period of 2016 the net cash used in investing activities was RMB60.4 million. The main reason for the significant increase in cash generated from investing activities was due to the obtained cash and cash equivalents of RMB7,631.8 million as a result of the acquisition of CISC.

Net cash generated from financing activities in the first half of 2017 was RMB8,090.1 million, while in the same period of 2016 the net cash generated from financing activities was RMB3,586.4 million. CISC's net cash generated from financing activities amounted to RMB3,593.3 million. Excluding that of CISC, the Group's net cash generated from financing activities increased by RMB910.3 million compared with that for the first half of 2016, mainly due to the increase in cash inflows from the issuance of debt instruments.

Management Discussion and Analysis

(iv) Operating Revenue and Profit Analysis

1. Analysis of Items in Statement of Profit or Loss and Other Comprehensive Income

Summary Results of Operations

In the first half of 2017, the Group realized profit after tax of RMB1,129.0 million, representing an increase of 96.4% compared with that for the six months ended June 30, 2016, and the main results of operations of the Group are listed as follows:

Unit: RMB in million

Item(s)	**Six months ended June 30, 2017**	Six months ended June 30, 2016	Change	% of change
Revenue				
Fee and commission income	**3,002.0**	2,107.1	894.9	42.5%
Interest income	**1,249.9**	455.3	794.6	174.5%
Investment income	**1,567.7**	606.4	961.3	158.5%
Total revenue	**5,819.6**	3,168.7	2,650.8	83.7%
Other income	**47.5**	52.1	(4.6)	(8.7%)
Total revenue and other income	**5,867.1**	3,220.8	2,646.3	82.2%
Total expenses	**4,429.2**	2,507.2	1,922.0	76.7%
Share of profits of associates and joint ventures	**39.4**	25.7	13.7	53.3%
Profit before income tax	**1,477.3**	739.4	738.0	99.8%
Income tax expense	**348.3**	164.5	183.8	111.8%
Profit for the period	**1,129.0**	574.9	554.1	96.4%
Attributable to:				
Shareholders of the Company and holders of other equity instruments	**1,110.8**	574.9	535.9	93.2%

Management Discussion and Analysis

Revenue Breakdown

In the first half of 2017, due to the significant improvement in investment management business, wealth management business and equities business and the influence of factors such as the Acquisition, our Group's revenue and profit has increased significantly compared with that for the same period last year. During the first half of 2017, the Group's total revenue and other income increased by 82.2% to RMB5,867.1 million compared with that for the six months ended June 30, 2016. Among which, fee and commission income accounted for 51.2%, representing a decrease of 14.3 percentage points compared with the six months ended June 30, 2016; interest income accounted for 21.3%, representing an increase of 7.2 percentage points compared with that for the six months ended June 30, 2016; investment income accounted for 26.7%, representing an increase of 7.9 percentage points compared with that for the six months ended June 30, 2016. Breakdown of the Group's revenue for the six months ended June 30, 2017 is listed as follows:

Item(s)	**Six months ended June 30, 2017**	Six months ended June 30, 2016	**Change**
Fee and commission income	**51.2%**	65.4%	Decreased by 14.3 percentage points
Interest income	**21.3%**	14.1%	Increased by 7.2 percentage points
Investment income	**26.7%**	18.8%	Increased by 7.9 percentage points
Other income	**0.8%**	1.6%	Decreased by 0.8 percentage points
Total	**100.0%**	100.0%	

In the first half of 2017, the Group's interest income and investment income experienced a large increase compared with that for the same period last year, resulting in a smaller proportion of fee and commission income in total revenue and other income.

Management Discussion and Analysis

Net Fee and Commission Income

In the first half of 2017, the Group realized a net fee and commission income of RMB2,718.9 million, representing an increase of 37.9% compared with that for the six months ended June 30, 2016. Breakdown of the Group's net fee and commission income for the six months ended June 30, 2017 is listed as follows:

Unit: RMB in million

Item(s)	**Six months ended June 30, 2017**	Six months ended June 30, 2016	**Change**	**% of change**
Fee and commission income				
Brokerage commission income	**1,312.7**	833.5	479.2	57.5%
Underwriting and sponsoring fees	**650.1**	747.0	(96.8)	(13.0%)
Financial advisory fees	**251.2**	163.2	88.0	53.9%
Investment advisory fees	**99.0**	59.3	39.8	67.1%
Asset management fees	**672.8**	304.1	368.7	121.3%
Others	**16.1**	–	16.1	N/A
Total	**3,002.0**	2,107.1	894.9	42.5%
Fee and commission expenses	**283.1**	134.9	148.2	109.8%
Net fee and commission income	**2,718.9**	1,972.2	746.8	37.9%

The table below sets forth the respective proportions of the Group's fee and commission income for the six months ended June 30, 2017 and 2016:

	Six months ended June 30, 2017	Six months ended June 30, 2016	**Change**
Brokerage commission income	**43.7%**	39.6%	Increased by 4.2 percentage points
Underwriting and sponsoring fees	**21.7%**	35.4%	Decreased by 13.8 percentage points
Financial advisory fees	**8.4%**	7.7%	Increased by 0.6 percentage points
Investment advisory fees	**3.3%**	2.8%	Increased by 0.5 percentage points
Asset management fees	**22.4%**	14.4%	Increased by 8.0 percentage points
Others	**0.5%**	–	Increased by 0.5 percentage points
Total	**100.0%**	100.0%	

Management Discussion and Analysis

Brokerage commission income increased by RMB479.2 million or 57.5% compared with that for the six months ended June 30, 2016. CISC's brokerage commission income amounted to RMB521.9 million, accounting for 39.8% of that of the Group. Excluding that of CISC, our Group's brokerage commission income represented a decrease of RMB42.7 million or 5.1% compared with that for the first half of 2016, mainly due to the drop in the market trading volumes in the first half of 2017 compared with that in the same period of 2016, where the average daily trading volume in A-share stocks and funds was RMB475.7 billion which was a drop of 17.4% compared with that in the first half of 2016. The main indices in Hong Kong rose steadily with the average daily turnover of HKD76.0 billion, representing an increase of 12.6% compared with that for the first half of 2016. Meanwhile, the average commission rate of the Group's brokerage business maintained a market premium.

Underwriting and sponsoring fees decreased by RMB96.8 million or 13.0% compared with that for the six months ended June 30, 2016. CISC's underwriting and sponsoring fees amounted to RMB53.1 million, accounting for 8.2% of that of the Group. Excluding that of CISC, our Group's underwriting and sponsoring fees represented a decrease of RMB149.9 million or 20.1% compared with that for the first half of 2016, mainly due to the decrease in domestic debt financing business in the first half of 2017 compared with that in the same period of 2016.

Financial advisory fees increased by RMB88.0 million or 53.9% compared with that for the six months ended June 30, 2016. CISC's financial advisory fees amounted to RMB12.1 million, accounting for 4.8% of that of the Group. Excluding that of CISC, our Group's financial advisory fees represented an increase of RMB75.9 million or 46.5% compared with that for the first half of 2016, mainly due to the increase in revenue from M&A projects in the first half of 2017 compared to the same period in 2016.

Investment advisory fees increased by RMB39.8 million or 67.1% compared with that for the six months ended June 30, 2016. CISC's investment advisory fees amounted to RMB1.8 million, accounting for 1.8% of that of the Group. Excluding that of CISC, our Group's investment advisory fees represented an increase of RMB38.0 million or 64.0% compared with that in the first half of 2016, mainly due to the increased clients' demand for professional investment advisory services during the first half of 2017 compared with that during the same period of 2016.

Asset management fees increased by RMB368.7 million or 121.3% compared with that for the six months ended June 30, 2016. Asset management fees included the management fees from asset management business, mutual fund business and private equity investment business. CISC's asset management fees amounted to RMB21.7 million, accounting for 3.2% of that of the Group. Excluding that of CISC, our Group's asset management fees represented an increase of RMB347.0 million or 114.1% compared with that for the first half of 2016, mainly due to the rapid growth of our Group's private equity investment business in the first half of 2017, contributing to the significant increase in asset management fees of our Group.

Management Discussion and Analysis

Fee and commission expenses increased by RMB148.2 million or 109.8% compared with that for the six months ended June 30, 2016. CISC's fee and commission expenses amounted to RMB143.5 million, accounting for 50.7% of that of the Group. Excluding that of CISC, our Group's fee and commission expenses represented an increase of RMB4.7 million or 3.5% compared with that for the six months ended June 30, 2016, mainly due to the slight increase in our trading volume during the first half of 2017 compared with that for the first half of 2016.

Net Interest Income

In the first half of 2017, the Group incurred a net interest income of RMB23.7 million. CISC's net interest income amounted to RMB336.9 million. Excluding that of CISC, the Group recorded an increase of RMB139.9 million or 80.8% in net interest expense compared with that in the first half of 2016. Breakdown of the Group's net interest income for the six months ended June 30, 2017 is listed as follows:

Unit: RMB in million

Item(s)	**Six months ended June 30, 2017**	Six months ended June 30, 2016	**Change**	**% of change**
Interest income	**1,249.9**	455.3	794.6	174.5%
Interest income from financial institutions	**540.9**	268.3	272.5	101.6%
Interest income from margin financing and securities lending	**523.7**	129.9	393.7	303.1%
Interest income from reverse REPOs	**174.7**	56.8	117.9	207.6%
Others	**10.6**	0.2	10.4	5,514.1%
Interest expenses	**1,226.1**	628.5	597.6	95.1%
Interest expenses of accounts payable to brokerage clients	**89.7**	67.4	22.3	33.1%
Interest expenses on financial assets sold under repurchase agreements	**371.5**	212.0	159.5	75.3%
Interest expenses on placements from financial institutions	**116.7**	84.9	31.9	37.6%
Interest expenses on debt securities issued	**592.8**	247.4	345.4	139.6%
Others	**55.4**	16.9	38.6	228.6%
Net interest income/(expense)	**23.7**	(173.2)	197.0	N/A

Interest income from financial institutions increased by RMB272.5 million or 101.6% compared with that for the six months ended June 30, 2016. CISC's interest income from financial institutions amounted to RMB240.2 million, accounting for 44.4% of that of the Group. Excluding that of CISC, the Group's interest income from financial institutions increased by RMB32.3 million or 12.0% compared with that for the first half of 2016.

Management Discussion and Analysis

Interest income from margin financing and securities lending increased by RMB393.7 million or 303.1% compared with that for the six months ended June 30, 2016. Interest income from reverse REPOs increased by RMB117.9 million or 207.6% compared with that for the six months ended June 30, 2016. CISC's interest income from margin financing and securities lending as well as reverse REPOs amounted to RMB408.1 million, accounting for 58.4% of that of the Group. Excluding that of CISC, the Group's interest income from margin financing and securities lending as well as reverse REPOs increased by RMB103.5 million or 55.4% compared with that for the first half of 2016, mainly due to the improved stock market condition compared with that in 2016, contributing to the increase in financing demands from clients and in the average scale of our margin financing and securities lending business and reverse REPOs.

Interest expenses increased by RMB597.6 million or 95.1% compared with that for the six months ended June 30, 2016. CISC's interest expenses amounted to RMB311.5 million, accounting for 25.4% of that of the Group. Excluding that of CISC, the Group's interest expenses increased by RMB286.1 million or 45.5% compared with that for the first half of 2016, mainly due to the issuance of various tranches of debt securities such as corporate bonds and subordinated bonds by the Group to meet business needs and regulatory requirements, which increased the corresponding interest expenses.

Investment Income

In the first half of 2017, the Group recognized an investment income of RMB1,567.7 million, representing an increase of 158.5% compared with that for the six months ended June 30, 2016. CISC's investment income amounted to RMB18.9 million, accounting for 1.2% of that of the Group. Excluding that of CISC, the Group's investment income increased by RMB942.4 million or 155.4% compared with that for the first half of 2016. Breakdown of the Group's investment income for the six months ended June 30, 2017 is listed as follows:

Unit: RMB in million

	Six months ended June 30, 2017	Six months ended June 30,2016	**Change**	**% of change**
Investment income				
Net gains from disposal of available-for-sale financial assets	**74.2**	2.7	71.4	2,615.1%
Dividend income and interest income from available-for-sale financial assets	**280.5**	17.7	262.8	1,482.4%
Net gains/(losses) from financial instruments at fair value through profit or loss	**1,888.2**	(2.6)	1,890.8	N/A
– Equity investments	**1,058.8**	(524.1)	1,582.9	N/A
– Debt investments	**486.5**	435.9	50.7	11.6%
– Funds and other investments	**342.9**	85.6	257.3	300.5%
Net (losses)/gains from derivative financial instruments	**(675.3)**	588.5	(1,263.8)	N/A
Total	**1,567.7**	606.4	961.3	158.5%

Management Discussion and Analysis

Net gains from disposal of available-for-sale financial assets increased by RMB71.4 million or 2,615.1% compared with that for the six months ended June 30, 2016. CISC's net gains from disposal of available-for-sale financial assets amounted to RMB28.7 million, accounting for 38.7% of that of the Group. Excluding that of CISC, the Group's net gains from disposal of available-for-sale financial assets increased by RMB42.7 million or 1,564.7% compared with that for the six months ended June 30, 2016, mainly due to the significant increase in gains from exit of private equity fund investment compared with that for the same period of 2016.

Dividend income and interest income from available-for-sale financial assets increased by RMB262.8 million or 1,482.4% compared with that for the six months ended June 30, 2016. CISC's dividend income and interest income from available-for-sale financial assets amounted to RMB15.1 million, accounting for 5.4% of that of the Group. Excluding that of CISC, the Group's dividend income and interest income from available-for-sale financial assets increased by RMB247.7 million or 1,397.2% compared with that for the six months ended June 30, 2016, mainly due to the increase in dividend income received from the equity investments held by our Group.

In the first half of 2017, investment gains from financial instruments at fair value through profit or loss amounted to RMB1,888.2 million, representing a relatively large increase compared with losses of RMB2.6 million for the same period in 2016, mainly due to the overall steady growth of the capital market in the first half of 2017. CISC's investment losses from financial instruments at fair value through profit or loss amounted to RMB25.3 million. Excluding that of CISC, the Group's investment gains from financial instruments at fair value through profit or loss amounted to RMB1,913.5 million, representing an increase of RMB1,916.1 million compared with that for the first half of 2016, which were generated from the following categories of investments:

– Net gains from equity investments represented an increase of RMB1,634.3 million compared with that for the first half of 2016, mainly due to the significant rise in the stock prices in the first half of 2017 over 2016, resulting in a large increase in investment income from hedging equity positions held for OTC derivative transactions. The Group enters into OTC derivative transaction agreements with its clients to meet their needs whereby the clients assume the risk of the change in the fair value of most of the underlying financial assets while the Group receives fixed income under the OTC derivative transaction agreements and at the same time purchases and holds a hedge position to mitigate market risk;

– Net gains from debt investments represented an increase by RMB38.2 million compared with that for the first half of 2016, which was an insignificant change. In light of the slight increase of bond yields of various bonds in the domestic bond market in the first half of 2017, the Group reduced the effect of the volatility in market yields on the market value of the positions by adopting effective risk management. The gains and losses for the current period mainly represented the interest income of our bond positions;

– Net gains from funds and other investments represented an increase of RMB243.6 million compared with that for the first half of 2016, mainly due to the significant increase in the funds allocated to fixed income products in 2017 which contributed to the significant increase in gains from funds and other investments during the current period.

Management Discussion and Analysis

In the first half of 2017, net investment losses from derivative financial instruments were RMB675.3 million while in the first half of 2016, net investment gains from derivative financial instruments were RMB588.5 million, mainly due to the corresponding losses and gains from total return swaps business. Upon consideration of the hedge position held, the Group's exposure to the market risk and the volatility of profit or loss caused by the change in the fair value of the underlying assets under the total return swap agreements is limited.

Operating Expenses

In the first half of 2017, the Group's operating expenses (excluding fee and commission expenses and interest expenses, the same below) amounted to RMB2,920.0 million, representing an increase of 67.5% compared with that for the six months ended June 30, 2016. Main compositions of the Group's operating expenses for the six months ended June 30, 2017, are listed as follows:

Unit: RMB in million

Item(s)	**Six months ended June 30, 2017**	Six months ended June 30, 2016	Change	% of change
Operating expenses				
Staff costs	**2,072.6**	1,150.4	922.2	80.2%
Depreciation and amortization expenses	**85.3**	31.9	53.3	167.0%
Tax and surcharges	**20.7**	85.0	(64.3)	(75.6%)
Other operating expenses	**743.7**	476.9	266.7	55.9%
Reversal of impairment losses	**(2.3)**	(0.5)	(1.8)	346.1%
Total	**2,920.0**	1,743.8	1,176.2	67.5%

Staff costs represented an increase of RMB922.2 million or 80.2% compared with the first half of 2016. CISC's staff costs amounted to RMB345.2 million, accounting for 16.7% of that of the Group. Excluding that of CISC, the Group's staff costs increased by RMB577.1 million or 50.2% compared with that for the six months ended June 30, 2016, mainly due to the improvement in the Group's operating results and the increase in number of staff which contributed to the corresponding increase in staff costs.

Depreciation and amortization expenses increased by RMB53.3 million or 167.0% compared with that for the six months ended June 30, 2016. CISC's depreciation and amortization expenses amounted to RMB40.4 million, accounting for 47.3% of that of the Group. Excluding that of CISC, the Group's depreciation and amortization expenses increased by RMB13.0 million or 40.6% compared with that for the six months ended June 30, 2016, mainly due to the increase in office equipment and leasehold improvements of the Group which contributed to the corresponding increase in depreciation and amortization expenses.

Tax and surcharges decreased by RMB64.3 million or 75.6% compared with that for the six months ended June 30, 2016. CISC's tax and surcharges amounted to RMB6.0 million, accounting for 28.7% of that of the Group. Excluding that of CISC, the Group's tax and surcharges decreased by RMB70.3 million or 82.6% compared with that for the six months ended June 30, 2016, mainly due to the significant decrease in business tax recognized in profit or loss after the reform of value-added tax ("VAT") in May 2016. VAT is an off-price tax and therefore is not included in tax and surcharges for the period.

Management Discussion and Analysis

Other operating expenses increased by RMB266.7 million or 55.9% compared with that for the six months ended June 30, 2016. CISC's other operating expenses amounted to RMB182.1 million, accounting for 24.5% of that of the Group. Excluding that of CISC, the Group's other operating expenses increased by RMB84.6 million or 17.7% compared with that for the six months ended June 30, 2016, mainly due to the increase in the Group's other operating expenses such as bank charges and foreign exchange loss.

2. Segment Results

We have six principal business segments: investment banking, equities, FICC, wealth management, investment management and CISC. Others mainly comprises other business departments and back offices.

Unit: RMB in million

	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% of change
Investment Banking				
Segment revenue and other income				
Fee and commission income	**686.5**	701.8	(15.3)	(2.2%)
Interest income	**0.1**	0.9	(0.8)	(89.7%)
Investment income	**39.4**	13.4	26.0	194.3%
Other income	**–**	14.1	(14.1)	(100.0%)
Total	**726.0**	730.1	(4.1)	(0.6%)
Segment expenses	**(633.3)**	(560.8)	(72.5)	12.9%
Profit before income tax	**92.7**	169.3	(76.6)	(45.3%)
Segment margin[1]	**12.8%**	23.2%	Decreased by 10.4 percentage points	
Equities				
Segment revenue and other income				
Fee and commission income	**668.7**	628.1	40.7	6.5%
Interest income	**190.6**	126.1	64.6	51.2%
Investment income	**489.0**	172.7	316.3	183.2%
Other income	**0.3**	4.6	(4.3)	(94.1%)
Total	**1,348.6**	931.4	417.2	44.8%
Segment expenses	**(504.5)**	(397.0)	(107.5)	27.1%
Profit before income tax	**844.1**	534.4	309.7	58.0%
Segment margin[1]	**62.6%**	57.4%	Increased by 5.2 percentage points	

Management Discussion and Analysis

	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% of change
FICC				
Segment revenue and other income				
Fee and commission income	**91.8**	171.8	(80.0)	(46.6%)
Interest income	**70.5**	50.4	20.2	40.1%
Investment income	**546.0**	361.1	185.0	51.2%
Other income	**14.4**	11.3	3.1	27.6%
Total	**722.7**	594.5	128.2	21.6%
Segment expenses	**(698.2)**	(556.7)	(141.5)	25.4%
Profit before income tax	**24.6**	37.8	(13.3)	(35.1%)
Segment margin[1]	**3.4%**	6.4%	Decreased by 3.0 percentage points	
Wealth Management				
Segment revenue and other income				
Fee and commission income	**282.8**	294.5	(11.7)	(4.0%)
Interest income	**243.3**	214.6	28.6	13.3%
Investment income	**223.0**	8.3	214.7	2,587.9%
Other income	**13.8**	4.8	9.0	187.7%
Total	**762.9**	522.3	240.6	46.1%
Segment expenses	**(514.0)**	(403.3)	(110.7)	27.5%
Profit before income tax	**248.9**	119.0	129.9	109.2%
Segment margin[1]	**32.6%**	22.8%	Increased by 9.8 percentage points	
Investment Management				
Segment revenue and other income				
Fee and commission income	**659.2**	310.5	348.7	112.3%
Interest income	**9.5**	7.3	2.2	30.2%
Investment income	**218.4**	15.2	203.2	1,336.9%
Other income	**9.1**	0.3	8.8	3,450.6%
Total	**896.2**	333.3	562.9	168.9%

Management Discussion and Analysis

	Six months ended June 30, 2017	Six months ended June 30, 2016	**Change**	**% of change**
Segment expenses	**(487.6)**	(338.1)	(149.5)	44.2%
Share of profits of associates and joint ventures	**29.3**	21.2	8.0	37.8%
Profit before income tax	**437.9**	16.4	421.5	2,568.4%
Segment margin[1]	**48.9%**	4.9%	Increased by 43.9 percentage points	
CISC[3]				
Segment revenue and other income				
Fee and commission income	**612.7**	–	612.7	N/A
Interest income	**648.4**	–	648.4	N/A
Investment income	**18.9**	–	18.9	N/A
Other income	**6.4**	–	6.4	N/A
Total	**1,286.4**	–	1,286.4	N/A
Segment expenses	**(1,029.0)**	–	(1,029.0)	N/A
Share of profits of associates and joint ventures	**(0.6)**	–	(0.6)	N/A
Profit before income tax	**256.9**	–	256.9	N/A
Segment margin[1]	**20.0%**	–	N/A	
Others[2]				
Segment revenue and other income				
Fee and commission income	**0.2**	0.3	(0.1)	(40.9%)
Interest income	**87.5**	56.0	31.4	56.1%
Investment income	**32.9**	35.7	(2.8)	(7.9%)
Other income	**3.6**	17.1	(13.5)	(78.9%)
Total	**124.2**	109.2	15.0	13.7%
Segment expenses	**(562.6)**	(251.2)	(311.4)	123.9%
Share of profits of associates and joint ventures	**10.8**	4.5	6.3	139.8%
Loss before income tax	**(427.6)**	(137.5)	(290.1)	211.0%

(1) Segment margin = profit before income tax/segment revenue and other income

(2) The segment margin of "others" segment is not presented because this segment incurred loss before income tax in the relevant periods

(3) CISC's profit or loss and other comprehensive income from April 1, 2017 to June 30, 2017 were consolidated by the Group during the Reporting Period. Therefore, there is no comparable financial data for CISC presented for the same period of last year

Management Discussion and Analysis

(v) Analysis of Items in Statement of Financial Position

1. Items of Assets

As at June 30, 2017, the total assets of the Group amounted to RMB203,372.6 million, representing an increase of 99.5% compared with that at the end of last year. Excluding accounts payable to brokerage clients, the total assets of the Group as at June 30, 2017 amounted to RMB149,909.6 million, representing an increase of 77.3% compared with that at the end of last year. Major changes in the Group's total assets are listed as follows:

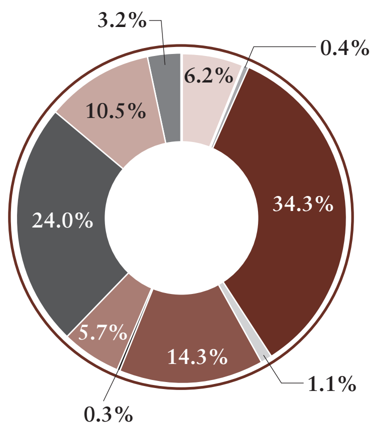
Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of change
Available-for-sale financial assets	**12,559.6**	1,043.1	11,516.5	1,104.1%
Interest in associates and joint ventures	**834.6**	550.5	284.1	51.6%
Financial assets at fair value through profit or loss	**69,689.1**	55,154.8	14,534.3	26.4%
Derivative financial assets	**2,227.9**	1,722.0	505.9	29.4%
Receivable from margin clients and reverse REPOs	**29,164.4**	6,984.7	22,179.6	317.5%
Property and equipment and intangible assets	**629.2**	209.1	420.1	201.0%
Accounts receivable and interest receivable	**11,663.3**	7,062.0	4,601.3	65.2%
Cash held on behalf of brokerage clients	**48,711.7**	16,717.4	31,994.3	191.4%
Cash and bank balances	**21,292.5**	10,504.6	10,788.0	102.7%
Others	**6,600.2**	2,000.2	4,600.0	230.0%
Total	**203,372.6**	101,948.5	101,424.1	99.5%

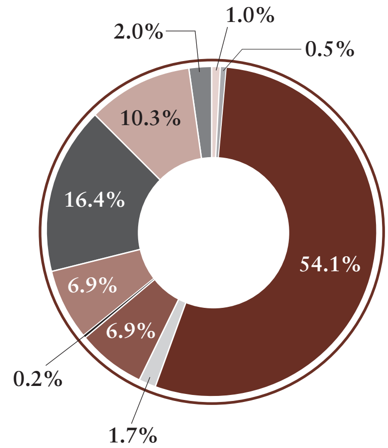
Management Discussion and Analysis

The charts below set forth the composition of the Group's total assets as at the indicated dates:

Items of Assets as of June 30, 2017



Items of Assets as of December 31, 2016



- Available-for-sale financial assets
- Financial assets at fair value through profit or loss
- Receivable from margin clients and reverse REPOs
- Accounts receivable and interest receivable
- Cash and bank balances
- Interest in associates and joint ventures
- Derivative financial assets
- Property and equipment and intangible assets
- Cash held on behalf of brokerage clients
- Others

INVESTMENTS

The Group's investments primarily consist of available-for-sale financial assets, interest in associates and joint ventures, financial assets at fair value through profit or loss and derivative financial assets.

As at June 30, 2017, the total outward investments of the Group amounted to RMB85,311.2 million, representing an increase of RMB26,840.8 million or 45.9% compared with that at the end of last year. Total outward investments accounted for 41.9% of total assets, representing a decrease of 15.4 percentage points compared with that at the end of last year, mainly because of the significant increase in cash held on behalf of brokerage clients, cash and bank balances, receivable from margin clients and reverse REPOs as a result of the Group's Acquisition, that resulted in the significant increase in total assets and the relative decrease in proportion of total outward investments to total assets. Details of the Group's outward investments are as follows:

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of change
Available-for-sale financial assets	**12,559.6**	1,043.1	11,516.5	1,104.1%
Interest in associates and joint ventures	**834.6**	550.5	284.1	51.6%
Financial assets at fair value through profit or loss	**69,689.1**	55,154.8	14,534.3	26.4%
Derivative financial assets	**2,227.9**	1,722.0	505.9	29.4%
Total	85,311.2	58,470.4	26,840.8	45.9%

Management Discussion and Analysis

Available-for-sale Financial Assets

As at June 30, 2017, the Group's available-for-sale financial assets represented an increase of RMB11,516.5 million or 1,104.1% compared with that at the end of last year, accounting for 6.2% of the Group's total assets. CISC's available-for-sale financial assets amounted to RMB3,073.3 million, accounting for 24.5% of that of the Group. Excluding that of CISC, the Group's available-for-sale financial assets represented an increase of RMB8,443.2 million or 809.5% compared with that at the end of last year. Among which, debt investments represented an increase of RMB8,383.1 million compared with that at the end of 2016, accounting for 99.3% of the aforesaid increase, mainly because the Group recognized a portion of the newly acquired bonds as available-for-sale financial assets for investment strategy and liquidity management needs in the first half of 2017, leading to the significant increase in available-for-sale financial assets compared with that at the end of 2016. The following table sets forth the composition of the Group's available-for-sale financial assets:

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of change
Equity investments	**1,274.1**	1,032.6	241.4	23.4%
Debt investments	**10,702.9**	–	10,702.9	N/A
Funds and other investments[(1)]	**582.6**	10.4	572.2	5,483.7%
Total	**12,559.6**	1,043.1	11,516.5	1,104.1%

(1) The funds and other investments of the Group increased by RMB572.2 million. The funds and other investments of CISC which were mainly investments in fixed-income products, amounted to RMB582.1 million, accounting for 99.9% of that of the Group.

Interest in Associates and Joint Ventures

As at June 30, 2017, the Group's interest in associates and joint ventures represented an increase of RMB284.1 million or 51.6% compared with that at the end of last year, accounting for 0.4% of the Group's total assets. The following table sets forth the composition of the Group's interest in associates and joint ventures:

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of change
Associates	**699.3**	419.4	279.9	66.7%
Joint ventures	**135.3**	131.1	4.2	3.2%
Total	**834.6**	550.5	284.1	51.6%

Management Discussion and Analysis

Financial Assets at Fair Value through Profit or Loss

As at June 30, 2017, the Group's financial assets at fair value through profit or loss represented an increase of RMB14,534.3 million or 26.4% compared with that at the end of last year, accounting for 34.3% of the Group's total assets. The details of the investment categories are as follows:

Unit: RMB in million

	June 30, 2017	December 31, 2016	**Change**	**% of change**
Equity investments				
– Hedge position held for return swaps	**24,603.8**	20,313.0	4,290.9	21.1%
– Financial assets from consolidated structured entities	**189.4**	159.3	30.2	18.9%
– Equity investments held directly by the Group(1)	**1,178.5**	432.1	746.4	172.7%
Subtotal	**25,971.8**	20,904.3	5,067.4	24.2%
Debt investments				
– Financial assets from consolidated structured entities	**563.2**	1,204.8	(641.6)	(53.3%)
– Debt investments held directly by the Group	**27,592.3**	19,438.2	8,154.0	41.9%
Subtotal	**28,155.5**	20,643.0	7,512.5	36.4%
Funds and other investments				
– Financial assets from consolidated structured entities	**6,482.5**	9,833.0	(3,350.5)	(34.1%)
– Funds and other investments held directly by the Group(2)	**9,079.4**	3,774.5	5,304.9	140.5%
Subtotal	**15,561.9**	13,607.5	1,954.4	14.4%
Total	**69,689.1**	55,154.8	14,534.3	26.4%

(1) The equity investments held directly by the Group increased by RMB746.4 million. The equity investments held directly by CISC amounted to RMB468.7 million, accounting for 62.8% of the increased portion of the Group.

(2) The funds and other investments held directly by the Group increased by RMB5,304.9 million. The funds and other investments held directly by CISC amounted to RMB952.9 million, accounting for 18.0% of the increased portion of the Group. Excluding that of CISC, the funds and other investments held directly by the Group increased by RMB4,352.0 million or 115.3%, which was mainly because that the Group expanded its investing scale.

Management Discussion and Analysis

As at June 30, 2017, CISC's financial assets at fair value through profit or loss amounted to RMB6,270.7 million. Excluding that of CISC, the Group's financial assets at fair value through profit or loss amounted to RMB63,418.4 million, increasing by RMB8,263.6 million or 15.0% compared with that at the end of last year, mainly because that the Group expanded its investing scale:

– RMB6,586.5 million in financial assets from consolidated structured entities of which the Group sponsored and held interests in, accounting for 9.5% in total financial assets at fair value through profit or loss. The financial assets held by these consolidated structured entities included RMB189.4 million of equity investments, primarily listed stocks; RMB318.0 million of debt investments all above investment grade; RMB6,079.0 million of funds and other investments, mainly fixed-income products;

– RMB24,603.8 million of hedge position equity investments held for return swaps by the Group, consisted of underlying assets of OTC derivatives trading agreements which the Group had entered into with its clients, representing 35.3% in total financial assets at fair value through profit or loss. These underlying assets were held to hedge the market risk associated with OTC derivative trading whereby the volatility in the underlying assets' fair value are assumed by the clients and has no material impact to the Group's profit or loss;

– RMB709.8 million in equity investments held directly by the Group, accounting for 1.1% in total financial assets at fair value through profit or loss, most of which are listed stocks held for our proprietary trading business or the NEEQ market making business;

– RMB23,391.8 million in debt investments held directly by the Group, accounting for 36.9% in total financial assets at fair value through profit or loss, most of which are debt securities rated as investment grade or above and debt instruments issued by the MOF, the PBOC or policy banks in China;

– RMB8,126.5 million in funds and other investments held directly by the Group, accounting for 12.8% in total financial assets at fair value through profit or loss, most of which are money market funds with high liquidity and low risks.

Management Discussion and Analysis

Derivative Financial Assets

As at 30 June 2017, the Group's derivative financial assets increased by RMB505.9 million or 29.4% compared with that at the end of 2016. Derivative financial assets accounted for 1.1% of the total assets, representing a decrease of 0.6 percentage point compared with that at the end of last year. The increase in derivative financial assets was mainly caused by the increase in the size of OTC derivative trading as well as the higher valuation attributable to the appreciation of the underlying stocks. As a result, the derivative financial assets of equity contracts increased by RMB675.6 million or 84.5%, compared with that at the end of last year, which was partially offset by the decrease in derivative financial assets related to other types of contracts. Breakdown of the Group's derivative financial assets is as follows:

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of Change
Interest rate contracts	**355.1**	461.2	(106.1)	(23.0%)
Currency contracts	**26.9**	141.8	(114.8)	(81.0%)
Equity contracts	**1,475.0**	799.4	675.6	84.5%
Credit contracts	**9.9**	13.8	(3.9)	(28.1%)
Other contracts	**361.1**	305.9	55.2	18.0%
Total	**2,227.9**	1,722.0	505.9	29.4%

RECEIVABLE FROM MARGIN CLIENTS AND REVERSE REPOS

As at 30 June 2017, receivable from margin clients and reverse REPOs recorded an increase of RMB22,179.6 million or 317.5% compared with that at the end of last year. CISC's receivable from margin clients and reverse REPOs amounted to RMB21,389.3 million, accounting for 73.3% of that of the Group. Excluding that of CISC, the Group's receivable from margin clients and reverse REPOs recorded an increase of RMB790.3 million or 11.3% compared with that at the end of last year, mainly due to the increased transaction size of bond reverse REPOs for the purpose of cash management.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

As at June 30, 2017, the Group's property and equipment and intangible assets increased by RMB420.1 million or 201.0% compared with the end of last year, among which RMB419.4 million was related to the assets acquired from CISC. The following table sets forth the Group's property and equipment and intangible assets as of the dates indicated:

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of Change
Property and equipment	**451.1**	208.5	242.6	116.3%
Intangible assets	**178.1**	0.6	177.6	31,092.8%
Total	**629.2**	209.1	420.1	201.0%

CASH HELD ON BEHALF OF BROKERAGE CLIENTS

As at 30 June 2017, cash held on behalf of brokerage clients amounted to RMB48,711.7 million, increasing by RMB31,994.3 million or 191.4% compared with that at the end of last year. CISC's cash held on behalf of brokerage clients amounted to RMB29,955.9 million, accounting for 61.5% of that of the Group. Excluding that of CISC, the Group's cash held on behalf of brokerage clients recorded an increase of RMB2,038.4 million or 12.2% compared with that at the end of last year, mainly due to the increase in deposits from brokerage clients.

CASH AND BANK BALANCES

As at 30 June 2017, cash and bank balances recorded an increase of RMB10,788.0 million or 102.7% compared with that at the end of last year. CISC's cash and bank balances amounted to RMB10,746.0 million, accounting for 50.5% of that of the Group. Excluding that of CISC, the Group's cash and bank balances recorded an increase of RMB42.0 million or 0.4% compared with that at the end of last year.

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of Change
Cash and bank balances	**21,292.5**	10,504.6	10,788.0	102.7%

Management Discussion and Analysis

2. Items of Liabilities

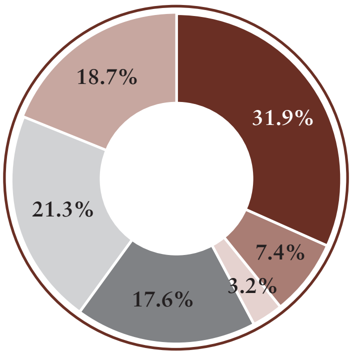
As at June 30, 2017, the Group's total liabilities amounted to RMB167,792.8 million, representing an increase of RMB84,341.1 million or 101.1% compared with that at the end of last year. Excluding the effect of accounts payable to brokerage clients, the Group's total liabilities amounted to RMB114,329.8 million, representing an increase of 73.1% compared with that at the end of last year. In the first half of 2017, the Company put great efforts in developing capital-based intermediary services and gradually expanded its business scale through various channels. The table below sets out the movements of the Group's total liabilities:

Unit: RMB in million

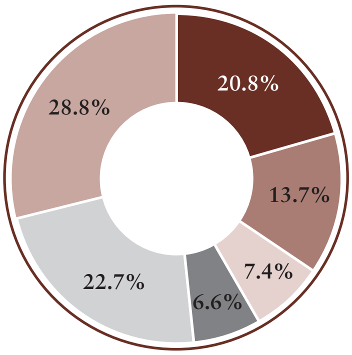
Item(s)	June 30, 2017	December 31, 2016	Change	% of Change
Accounts payable to brokerage clients	**53,463.0**	17,392.4	36,070.7	207.4%
Financial liabilities at fair value through profit or loss and derivative financial liabilities	**12,359.5**	11,419.0	940.5	8.2%
Short-term placements from financial institutions and short-term debt instruments issued	**5,301.4**	6,178.1	(876.7)	(14.2%)
REPOs	**29,599.8**	5,478.5	24,121.3	440.3%
Long-term debt securities	**35,702.5**	18,948.5	16,754.1	88.4%
Others	**31,366.5**	24,035.3	7,331.2	30.5%
Total	**167,792.8**	83,451.7	84,341.1	101.1%

The following chart sets out the composition of the Group's total liabilities as of the dates indicated:

Composition of Liabilities as of June 30, 2017



Composition of Liabilities as of December 31, 2016



- Accounts payable to brokerage clients
- Short-term placements from financial institutions and short-term debt instruments issued
- Long-term debt securities
- Financial liabilities at fair value through profit or loss and derivative financial liabilities
- REPOs
- Others

Management Discussion and Analysis

As at June 30, 2017, accounts payable to brokerage clients amounted to RMB53,463.0 million, representing an increase of RMB36,070.7 million or 207.4% compared with that at the end of last year. CISC's accounts payable to brokerage clients amounted to RMB29,985.4 million, accounting for 56.1% of that of the Group. Excluding that of CISC, the Group's accounts payable to brokerage clients recorded an increase of RMB6,085.3 million or 35.0% compared with that at the end of last year, mainly due to the increase in balance of client deposits.

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of change
Individual clients	**29,484.7**	2,519.8	26,964.9	1,070.1%
Institutional/corporate clients	**23,978.3**	14,872.5	9,105.8	61.2%
Total	**53,463.0**	17,392.4	36,070.7	207.4%

As at June 30, 2017, financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB12,359.5 million in aggregate, representing an increase of RMB940.5 million or 8.2% compared with that at the end of last year, mainly due to the increase in liabilities payable to customers.

As at June 30, 2017, short-term placements from financial institutions and short-term debt securities issued amounted to RMB5,301.4 million, which consisted of beneficiary certificates with a nominal value of RMB1,670.3 million and short-term placement of RMB3,631.1 million, representing a decrease of RMB876.7 million or 14.2% compared with that at the end of last year. This was mainly due to the short-term fluctuations in fund sources of our proprietary trading business and adjustments of the Group's debt financing structure.

As at June 30, 2017, REPOs amounted to RMB29,599.8 million, representing an increase of RMB24,121.3 million or 440.3% compared with that at the end of last year. REPOs of CISC amounted to RMB11,554.7 million, accounting for 39.0% of that of the Group. Excluding that of CISC, the Group's REPOs increased by RMB12,566.6 million or 229.4% compared with that at the end of last year, mainly due to the short-term fluctuation in fund sources of our proprietary trading business and adjustments of the Group's debt financing structure.

As at June 30, 2017, the Group's long-term debt securities amounted to RMB35,702.5 million, which consisted of beneficiary certificates of RMB1,730.8 million, subordinated bonds of RMB13,100.0 million, corporate bonds of RMB17,500.1 million and USD notes of RMB3,371.6 million, representing an increase of RMB16,754.1 million or 88.4%. Beneficiary certificates, subordinated bonds and corporate bonds of CISC amounted to RMB1,730.8 million, RMB5,000.0 million and RMB3,495.9 million respectively, in total accounting for 28.6% of the Group's long-term debt securities. Excluding that of CISC, the newly-added long-term debt securities of the Group included the first tranche of subordinated bonds issued in 2017 of RMB600.0 million and three tranches of corporate bonds of RMB6,000.0 million in aggregate.

As at June 30, 2017, the Group's other liabilities amounted to RMB31,366.5 million, representing an increase of 30.5% compared with that at the end of last year, mainly due to the short-term fluctuations in payables for trading activities.

Management Discussion and Analysis

3. Items of Equity

As at June 30, 2017, the total equity attributable to shareholders of our Company and holders of other equity instruments amounted to RMB35,423.4 million, representing an increase of 92.0% compared with that at the end of last year, mainly due to the consideration shares, amounted to RMB16,700.7 million, which our Company issued to Huijin for the acquisition of CISC. The table below sets forth the composition of the Group's equity as of the dates indicated:

Unit: RMB in million

Item(s)	June 30, 2017	December 31, 2016	Change	% of change
Share capital	**3,985.1**	2,306.7	1,678.5	72.8%
Capital reserve	**22,721.1**	7,705.7	15,015.5	194.9%
Surplus reserve	**255.7**	255.7	–	–
General reserves	**1,664.0**	1,663.1	0.9	0.1%
Investment revaluation reserve	**53.7**	64.8	(11.1)	(17.2%)
Foreign currency translation reserve	**(172.4)**	(49.8)	(122.6)	246.1%
Retained profits	**5,916.2**	5,500.9	415.3	7.5%
Other equity instruments	**1,000.0**	1,000.0	–	–
Total equity	**35,423.4**	18,446.9	16,976.4	92.0%

(vi) Contingent Liabilities

As at June 30, 2017, CISC held one piece of land for which CISC had obtained the land use right certificates and the construction permits required under PRC laws. Up to the date of the approval of this interim report, construction of the land has not commenced. According to relevant laws and regulations, in the event of delay in commencement of construction work on land, CISC may be subject to a penalty on idle land of no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or the forfeiture of the land use right. Except for the aforesaid, the Group did not have other contingent liabilities. For details of the aforesaid contingent liabilities, please refer to Note 48 to "Unaudited Interim Financial Report" in this report.

(vii) Pledge of Assets of the Group

The Group has no pledge of assets as at June 30, 2017.

(viii) Income Tax Policy

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), our Company and our PRC subsidiaries are subject to an enterprise income tax rate of 25%. Our Hong Kong subsidiaries are subject to a tax rate of 16.5% on their assessable profit. Income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations (《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》) (Public Notice of the State Administration of Taxation [2012] No.57). During the financial period ended June 30, 2017, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

III. SIGNIFICANT INVESTMENT AND FINANCING ACTIVITIES OF THE GROUP

(i) Equity Investment

Other than the Acquisition, the Group has no significant equity investments in the first half of 2017. Details about the Acquisition were set out in "I. ANALYSIS OF PRINCIPAL BUSINESSES" in this report.

(ii) Equity Financing

Other than the Acquisition, the Group has no significant equity financing in the first half of 2017.

(iii) Debt Financing

As at June 30, 2017, the Group's outstanding bonds with an original maturity of over one year are set out in the table below:

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate*	Remarks
Corporate bonds	16 CICC 01	RMB3,000 million	July 18, 2016	July 18, 2021	2.99%	Our Company has an option to redeem such bond on July 18, 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 02	RMB1,000 million	July 18, 2016	July 18, 2023	3.29%	Our Company has an option to redeem such bond on July 18, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 03	RMB1,100 million	October 27, 2016	October 27, 2021	2.95%	Our Company has an option to redeem such bond on October 27, 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 04	RMB900 million	October 27, 2016	October 27, 2023	3.13%	Our Company has an option to redeem such bond on October 27, 2021. If the early-redemption option is not exercised at the end of the fifth year, the Company has an option to increase the coupon rate and an obligation to redeem such bond if required by the investors.
	16 CICC 05	RMB2,000 million	December 26, 2016	December 26, 2019	4.50%	

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate*	Remarks
	17 CICC 01	RMB4,000 million	January 20, 2017	January 20, 2020	4.35%	
	17 CICC 02	RMB1,000 million	May 8, 2017	May 8, 2020	4.97%	
	17 CICC 03	RMB1,000 million	May 8, 2017	May 8, 2022	5.19%	
	15 CISC G1	RMB3,500 million	July 24, 2015	July 24, 2018	3.62%	
Subordinated bonds	15 CICC C1	RMB2,000 million	May 29, 2015	May 29, 2021	Bearing an interest rate of 5.25% per annum in the first three years; 8.25% from the fourth to sixth year	Our Company has an option to redeem such bond on May 29, 2018
	16 CICC C1	RMB2,000 million	July 21, 2016	July 21, 2021	Bearing an interest rate of 3.25% per annum in the first two years; 6.25% from the third to fifth year	Our Company has an option to redeem such bond on July 21, 2018
	16 CICC C2	RMB3,400 million	December 15, 2016	December 15, 2021	4.60%	
	17 CICC C1	RMB600 million	May 22, 2017	May 22, 2022	5.39%	
	16 CICC Futures	RMB100 million	December 16, 2016	December 16, 2024	Bearing an interest rate of 5.00% per annum in the first five years; 8.00% from the sixth to eighth year	CICC Futures has an option to redeem such bond on December 16, 2021
	16 CISC 01	RMB2,200 million	December 7, 2016	December 7, 2019	4.00%	
	17 CISC 01	RMB1,000 million	February 23, 2017	February 23, 2020	4.85%	
	17 CISC 02	RMB1,800 million	February 23, 2017	February 23, 2022	5.00%	

Management Discussion and Analysis

Type	Tranche	Size of Issuance	Date of Issuance/ Date of Value	Maturity Date	Interest Rate*	Remarks
Perpetual subordinated bonds	15 CICC Y1	RMB1,000 million	May 29, 2015	–	Bearing an interest rate of 5.70% per annum in the first five years, and subject to reset every five years	As at the end of each five-year period, our Company has a right to extend the term of such perpetual subordinated bonds for another five-year period
Notes payable	USD-denominated guaranteed notes under the US$2 billion guaranteed medium-term note programme of CICC Hong Kong Finance 2016 MTN Limited	US$500 million	May 18, 2016	May 18, 2019	Bearing a coupon rate of 2.75% at a price of T3+192.5 bps with a yield of 2.811%	

In the first six months of 2017, the Group completed 85 issuances of beneficiary certificates, with an aggregate principal amount of RMB5,279 million. As of June 30, 2017, the balance of beneficiary certificates payable was RMB3,401 million. As of June 30, 2017, the balance of short-term commercial papers payable by the Group was nil. As of June 30, 2017, the balance of bank borrowings of CICC Hong Kong amounted to HKD380 million and RMB122 million whereas the balance of bank borrowings of CISC amounted to HKD355 million.

The Company has completed one issuance of subordinated bonds and one issuance of corporate bonds in July 2017, the sizes of which are RMB1,500 million and RMB2,000 million respectively. CISC has completed one issuance of corporate bonds in July 2017, the aggregate size of which is RMB4,000 million.

IV. RISK MANAGEMENT

Overview

Our Company has always believed that risk management creates value. The risk management of our Company aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize corporate value and constantly solidify the foundation for the steady and sustainable development of our Company. Our Company has sound corporate governance, effective risk management measures and a strict internal control system.

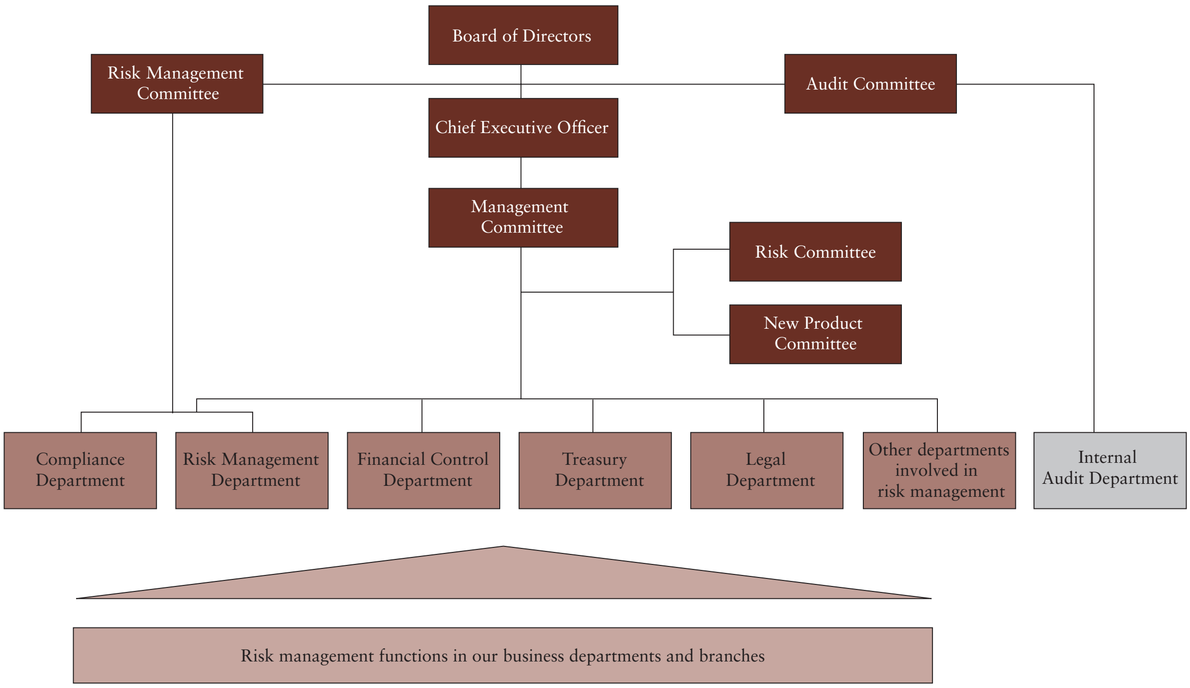
Pursuant to the relevant laws and regulations and regulatory requirements, our Company has established a sound governance structure system. The general meeting, the Board of Directors and the Supervisory Committee of our Company perform duties in accordance with the "Company Law", the "Securities Law" and the Articles of Association and supervise and manage the business operations of our Company. Through enhancing and improving the internal control structure, compliance and risk management culture, the Board of Directors has made internal control and risk management an essential aspect of the business operation management of our Company.

Management Discussion and Analysis

Risk Management Framework

Our Company has established a four-level risk management structure: (i) Board of Directors, (ii) senior management, (iii) departments in charge of risk management and other departments performing risk management functions, and (iv) business departments and branches.

The organizational structure of our Company's risk management is shown in the following chart:



The First Level: Board of Directors

The Board of Directors is the top level of our Company's risk management and internal control governance structure and is responsible for evaluating our overall risk management goals and risk management policy of our Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee.

The Risk Management Committee is responsible for (i) deliberating on the overall goals and basic policies for compliance management and risk management; (ii) reviewing the organization design and duties of compliance management and risk management; (iii) evaluating the risk of important decisions and solutions to significant risks which require review by the Board of Directors; (iv) deliberating on compliance reports and risk assessment reports requiring approval by the Board of Directors; and (v) other duties as authorized by the Board of Directors. The Risk Management Committee considered the risk assessment reports four times a year, and compliance reports twice a year.

The Audit Committee is responsible for (i) supervising the annual audit, assessing the truthfulness, accuracy and integrity of information in the audited financial statements, and filing motions for consideration by the Board of Directors; (ii) recommending the appointment or change of the external auditor, and supervising the work of the external auditor; (iii) communication between internal and external audit; and (iv) other matters as delegated by the Board of Directors. The Audit Committee considered the work report of the Internal Audit Department four times a year, and the Internal Controls Self-assessment Report and Illustration on a yearly basis.

Management Discussion and Analysis

The Second Level: Senior Management

Under the Board of Directors, our Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of our Company in accordance with the overall risk management goals set by the Board of Directors and assumes a major responsibility of ensuring the effectiveness of the overall risk management of our Company.

Risk Committee

Under the supervision of the Management Committee, the Risk Committee is responsible for (i) formulating and supervising risk management principles, policies and overall risk limits; and (ii) monitoring the capital level and material market, credit, liquidity and operational risks. Our Company's Chief Operating Officer and Chief Risk Officer are the chairman and executive chairman of the Risk Committee, respectively. Other members of the Risk Committee include: (i) Chief Financial Officer; (ii) heads of the business departments of Equities, FICC, Wealth Management, Investment Management, Investment Banking and Capital Markets; and (iii) Chief Compliance Officer and heads of the Legal Department, Operations Department, IT Department and Corporate Communications Department.

Chief Risk Officer

The Chief Risk Officer is responsible for (i) leading the Risk Management Department to monitor, assess and report the overall risk level; (ii) approving risk management policies regarding market risk, credit risk, liquidity risk and operational risk, and approving risk limits of various businesses; and (iii) independently reviewing material market, credit, liquidity and operational risks, and supervising risk management processes.

The Third Level: Departments In Charge of Risk Management

Risk Management Department

The Risk Management Department is the key department for risk management and mainly responsible for: (i) identifying, assessing, monitoring and reporting market, credit, liquidity and operational risks in the business activities of our Company; (ii) implementing risk management policies and procedures; and (iii) conducting independent risk assessment on new businesses and products.

Compliance Department

The Compliance Department is responsible for (i) providing timely and independent opinions on compliance issues and regulatory requirements to the senior management and business departments; (ii) continuously identifying, assessing and managing compliance risks; (iii) supervising, monitoring and reporting the overall compliance status of our Company; and (iv) formulating the compliance policies of our Company and providing training to staff to improve their understanding of and compliance with the relevant applicable laws, regulations and guidelines as well as the internal policies of our Company.

Legal Department

The Legal Department is responsible for managing legal risks relating to business operations and providing daily legal support and advice to the management, business departments and middle and back offices of our Company.

Management Discussion and Analysis

Internal Audit Department

The Internal Audit Department reports directly to the Audit Committee under the Board of Directors. The Internal Audit Department is responsible for (i) examining, assessing and reporting the overall internal control environment, risk assessment measures, internal control measures, reporting and monitoring measures of our Company; (ii) examining, assessing and reporting the adequacy of internal control measures of business departments and the effectiveness for implementation thereof; and (iii) making advisory opinions on the improvement and optimization of our Company's internal control process.

Other Departments Involved in Risk Management

Other departments involved in risk management include the Operations Department, the Financial Control Department, the Treasury Department, the IT Department and the Human Resources Department. Their risk management responsibilities are as follows:

The Operations Department is in charge of transaction settlement risk management with the following responsibilities: (i) performing various trade settlements, and reviewing transaction results and preventing risks of clearing; (ii) settling different trades and managing fund positions of all clearance accounts to avoid settlement failure and ensure that all sorts of trades are processed smoothly and correctly with abundant funds; (iii) delivering and transferring securities accurately for all sorts of trading to avoid transfer failure; (iv) as one of the key operational risk management departments of the Company, strictly following risk management and compliance policies and procedures to prevent and manage operational risks; (v) reporting to the Risk Management Department and the Compliance Department in a timely manner on the occurrence of settlement risk events.

The Financial Control Department is responsible for financial accounting and providing timely and accurate financial information to the management team, shareholders and regulatory authorities.

The Treasury Department takes the leading role in the liquidity risk management and manages assets and liabilities, capital, financing and cash flow of our Company, ensuring the liquidity of our Company, the compliance with the regulatory and risk management requirements and the efficient allocation of our Company's financial resources through various management measures, including assets and liabilities allocation, fund transfer pricing and monitoring, financing management, daily fund allocation and cash management, etc.

The IT Department is responsible for the IT system and transactions and the security of customer data, maintaining computer facilities and enhancing the IT infrastructure so as to perform risk management functions for our national and offshore operations.

The Human Resources Department is responsible for providing staff and professional advice at the organizational level in respect of the processes designed for all business and functional departments, assisting in formulating the corresponding rules and organizing employee training so as to regulate employee behavior, reduce the human resources loss risk and operational risk.

The Fourth Level: Business Departments and Branches

During our daily business operations, all staff involved in business operations in our business departments and branches are required to perform risk management functions, including (i) complying with risk management policies and procedures in daily business operations; (ii) actively managing risks and ensuring risk exposures are maintained within limits; and (iii) communicating effectively with risk management departments.

Risk to our Company's Business Activities and Management Measures

Risks related to business activities of our Company mainly include market risk, credit risk, liquidity risk, operational risk, compliance risk and legal risk, etc. Our Company proactively responded to risks through effective risk management measures, which generally prevented the occurrence of significant risk events and ensured the stable development of the business operation of our Company. During the Reporting Period, the business of our Company operated steadily and all risks were managed within a controllable and at a tolerable level.

Market Risk

Market risk refers to risks of changes in the fair value of financial assets held by our Company resulting from the fluctuations in equity prices, interest rates, credit spreads, exchange rates and commodity prices, etc.

Our Company has adopted the following measures to manage market risk:

➢ Business departments of our Company, as parties performing market risk management duties and the first line of defense, dynamically manage market risk of exposures by way of diversifying risk exposures, controlling the size of positions and utilizing hedging instruments;

➢ The risk management department independently assesses, monitors and manages the overall market risk of our company with following measures. The market risk management includes risk measurement, limit formulation and risk monitoring:

- Our Company measures market risk mainly by means of Value at Risk (VaR) analysis, stress tests and sensitivity analysis, etc. VaR is a major tool for our Company to measure and monitor market risk. VaR measures the potential maximum loss to an asset portfolio by changes in market risk factors at a certain confidence level within a certain holding period. Our Company computes the single day VaR at a confidence level of 95% by adopting a historical simulation method based on three years of historical data and examines the effectiveness of the model through the method of back testing on a regular basis. Meanwhile, our Company adopts stress test to complement the VaR analysis and measures whether the investment loss of our Company is within the scope of the risk tolerance when market risk factors such as equity price, interest rate, credit spread, exchange rate and commodity price undergo extreme changes. In addition, in respect of sensitivity factors of different assets, our Company measures the impact of changes in specific factors on the value of assets by calculating the corresponding sensitivity indicators.

- Our Company has formulated a risk limit indicator framework. Risk limit is a means for controlling risks and also represents the risk appetite and risk tolerance of our Company. Our Company sets appropriate market risk limits based on the business nature, such as notional limit, VaR limit, concentration limit, sensitivity limit and stop-loss limit, etc.

- Our Company monitors risk limit usage in real time or on a daily basis. The Risk Management Department prepares daily risk reports to monitor the usage of limits and submits them to the senior management and business departments. When the limit usage triggers the warning line, the Risk Management Department will issue a warning notice to business departments. Once the risk indicators exceed the limits, business departments shall report reasons of the breach and measures to be taken to the Chief Risk Officer or his authorized person and shall be responsible for reducing the risk exposure to a level within the limits in a given timeframe. If this cannot be achieved, they are required to apply to the Chief Risk Officer or his authorized person for a temporary increase in limit. If necessary, the Chief Risk Officer will submit a request to senior management.

Management Discussion and Analysis

Value at Risk (VaR)

The total VaR limit of our Company's investment portfolio is RMB56 million. At the same time, our Company set VaR limits for various financial instruments and the Risk Management Department computes VaRs of these financial instruments on a daily basis to ensure that the daily VaRs are maintained within limits. The following tables set forth our Company computed VaRs by risk categories as of the dates and for the periods as indicated (excluding CISC): (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

The Group (Excluding CISC)

(RMB in million)	As of June 30, 2017	As of December 31, 2016	2017 (As of June 30) Average	Highest	Lowest	2016 (As of December 31) Average	Highest	Lowest
Price-sensitive financial instruments[1]	**22.3**	11.8	**17.3**	**32.5**	**6.0**	10.0	20.1	2.3
Interest-rate-sensitive financial instruments[2]	**31.1**	24.1	**27.5**	**38.1**	**19.4**	22.4	28.4	15.7
Exchange-rate-sensitive financial instruments[3]	**9.0**	7.6	**7.0**	**10.2**	**5.1**	9.4	15.7	5.2
Total portfolio	**38.2**	29.7	**34.4**	**52.1**	**23.4**	27.4	36.0	21.2

Notes:

(1) including equities and the price sensitive portion of derivative products

(2) including fixed income products and the interest rate sensitive portion of derivative products

(3) including financial products subject to exchange rate changes (including derivative products)

CISC became a wholly-owned subsidiary of the Company on March 21, 2017. The following tables set forth the Group's computed VaRs by risk categories as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

The Group

(RMB in million)	As of June 30, 2017	2017 (As of June 30) Average	Highest	Lowest
Price-sensitive financial instruments[1]	25.7	18.6	35.0	6.0
Interest-rate-sensitive financial instruments[2]	40.4	32.2	47.5	19.4
Exchange-rate-sensitive financial instruments[3]	9.0	7.0	10.2	5.1
Total portfolio	49.3	39.6	63.2	23.4

Notes: The VaRs of the Group from January to March excluded those of CISC and the VaRs of the Group from April to June represented the linear aggregation of VaRs of CICC and CISC (without taking into account the risk diversification effect between the portfolios of CICC and CISC).

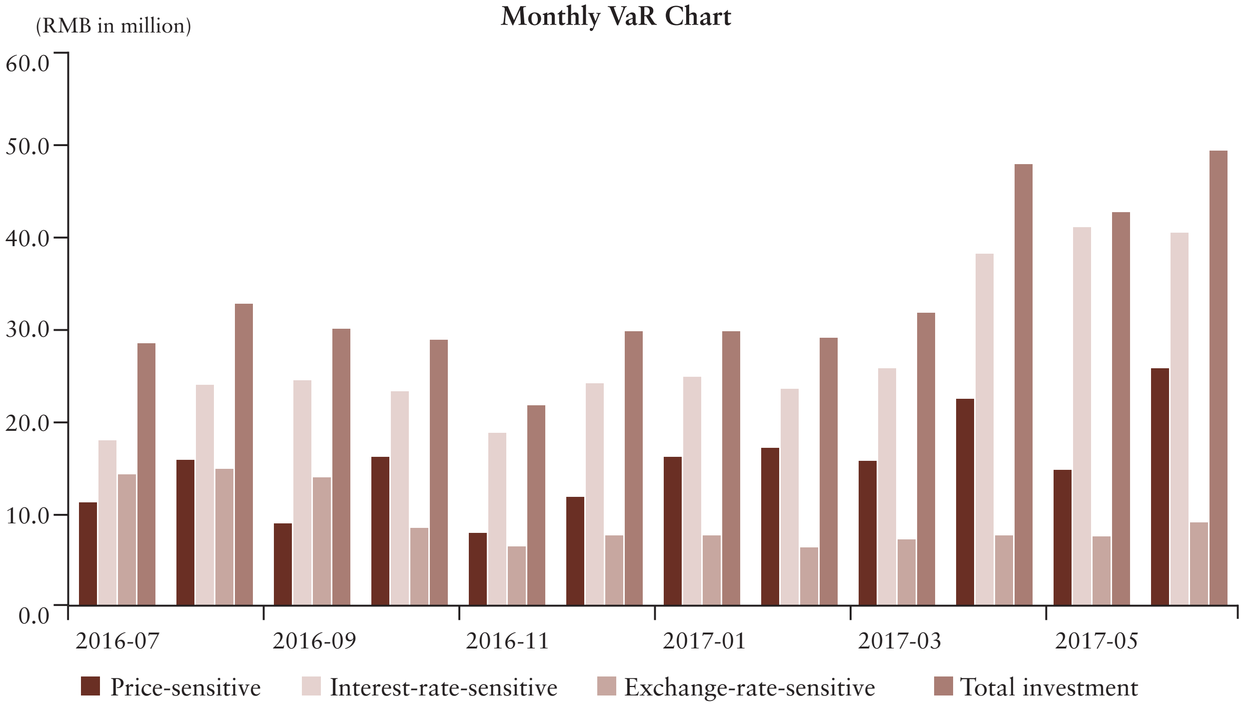
(1) including equities and the price sensitive portion of derivative products

(2) including fixed income products and the interest rate sensitive portion of derivative products

(3) including financial products subject to exchange rate changes (including derivative products)

The chart below sets forth the VaRs by risk categories of the Group as of the end of each month over the past year:

Monthly VaR Chart



During the Reporting Period, our Company conducted foreign exchange risk management for offshore assets, measuring risk exposures and monitoring risk limit utilizations on a daily basis. The foreign exchange risk exposures were managed by adjusting currency positions and using foreign exchange derivatives as hedging instruments.

During the Reporting Period, our Company closely monitored domestic and overseas market conditions and business risks. Coping with interest rate swings in both domestic and overseas markets, our Company hedged the interest rate risk for the fixed-income portfolio by using treasury bond futures, interest rate swaps, etc.

Credit Risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers. The exposure to credit risk of our Company arises mainly from:

➢ Direct credit risk from debt borrowers or bond issuers' default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts;

➢ Credit risk from a counterparty's default on the OTC derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives;

➢ The settlement risk from a business partner's failure in delivery of funds or securities when our Company has fulfilled its delivery obligation.

Our Company adopted the following measures to manage credit risk in our trading and investment activities:

➢ Setting up investment criteria and limits on products and issuers;

➢ Reviewing credit terms in agreements with counterparties;

➢ Monitoring our credit exposure to counterparties.

Management Discussion and Analysis

Our Company has adopted the following measures to manage credit risk in our capital businesses, including margin financing and securities lending, stock-based lending transactions and other businesses:

- Approving counterparties, and assigning credit ratings and lending limits to counterparties;
- Managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios;
- Establishing and implementing margin call and mandatory liquidation policy.

During the Reporting Period when bond defaults were rising, FICC collaborated with the Risk Management Department and closely identified, assessed, monitored and managed credit risk related to bond investments. As a result, our Group avoided material credit losses during the Reporting Period.

	As of June 30, 2017 (RMB in million)		
The Group	Position	DV01	Spread DV01
Offshore (by international rating agencies)			
– AAA	0.0	0.00	0.00
– AA- to AA+	30.6	0.00	0.00
– A- to A+	2,773.3	0.59	0.58
– below A-	2,317.4	0.55	0.56
Sub-total	5,121.3	1.14	1.14
Mainland (by domestic rating agencies)			
– AAA	22,336.4	2.75	2.56
– AA- to AA+	5,500.6	0.98	0.98
– A- to A+	43.0	0.01	0.01
– below A-	11.6	0.00	0.00
Sub-total	27,891.6	3.74	3.55
– Non-rated[1]	2,797.2	0.82	0.00
– Non-rated[2]	3,048.3	0.25	0.25
Total	38,858.4	5.95	4.94

Notes:

1) Financial assets included in non-rated[1] mainly comprise of government bond, Central Bank bills, policy financial bonds, non-rated local government bonds and Special Drawing Rights ("SDR") denominated bonds.

   Financial assets included in non-rated[2] mainly represent other debt instruments and trading securities that are not rated by independent rating agencies.

2) The Risk Management Department uses DV01 and Spread DV01 to measure the interest rate sensitivity and credit spread sensitivity of bonds. DV01 measures the change in the value of interest rate sensitive products for each parallel movement of one basis point in a market interest rate curve. Spread DV01 measures the change in the value of credit sensitive products for each parallel movement of one basis point in the credit spread.

Margin Financing and Securities Lending Business

The table below sets forth the market value of collaterals and the collateral ratio of the margin financing and securities lending business of the Group as of the date indicated:

	As of June 30, 2017 (RMB in million)	As of December 31, 2016 (RMB in million)
Market Value of Collaterals	**69,990.3**	13,134.5
Collateral ratio	**360%**	413%

Note: The collateral ratio is calculated as the ratio of the client's total account balance (including cash and securities held) to the client's balance of margin loans and securities borrowed from our Company (i.e. the sum of margin loans extended, the securities sold short and any accrued interests and fees).

As of June 30, 2017, the collateral ratio of the margin financing and securities lending business of the Group was 360%. Assuming the market value of all securities as collaterals of the Group's margin financing and securities lending business declines by 10% and 20% respectively, the collateral ratio of the Group's margin financing and securities lending business as of June 30, 2017, will be 325% and 294% respectively.

Stock-based Lending Business

The table below sets out market value of collaterals and the collateral ratio of the stock-based lending business of the Group as of the date indicated:

	As of June 30, 2017 (RMB in million)	As of December 31, 2016 (RMB in million)
Market value of Collaterals	**19,498.7**	7,615.9
Collateral ratio	**235%**	234%

Note: The collateral ratio refers to the ratio of the total market value of the pledged collateral and its yields to the client's total amount payable to our Company.

Management Discussion and Analysis

Liquidity Risk

Liquidity risk refers to the risks arising from our Company's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting normal business operations.

Our Company implements vertical and centralized management on liquidity risks of all domestic and overseas branches and subsidiaries. Our Company has adopted the following measures to manage liquidity risk:

➢ Closely monitoring balance sheets of our Company and its branches and subsidiaries, and managing liquidity gaps between assets and liabilities;

➢ Setting liquidity risk limits based on regulatory requirement and our Company's overall situation;

➢ Conducting cash flow forecast and stress testing on liquidity risk indicators on a regular and irregular basis to analyze and assess our liquidity risk exposure;

➢ Holding cash balances in hand and substantial high-quality liquid asset for a long term to support normal business operations, and establishing liquidity contingency plan for potential liquidity emergencies.

Our Company constantly broadened and diversified its funding channels to optimize the liability structure. The funding instruments of our Company included perpetual subordinated bonds, subordinated bonds, corporate bonds, syndication loan, short-term commercial papers, beneficiary certificates, inter-bank borrowing, REPOs, etc. Our Company maintained good relationship with major commercial banks and had sufficient bank credit to meet the funding requirement for business development. In 2017, as assessed by China Chengxin Securities Rating Co., Ltd (中誠信證券評估有限公司), the credit rating of our Company was AAA and the rating outlook is stable. As at the latest practicable date, as assessed by Standard & Poor's, the long-term rating of the Group was BBB+, the short-term rating was A-2 and the rating outlook is negative. As assessed by Moody's, the long-term rating of the Group was Baa1, the short-term rating was P-2 and the rating outlook is stable. As assessed by Fitch, the long-term rating of the Group was BBB+, the short-term rating was F2 and the rating outlook is stable.

During the Reporting Period, there was no substantial change in substance and type of liquidity risks exposed to our Company. Our Company's overall liquidity risk management was sound, the liquid reserve was sufficient, and the liquidity risk was under control.

During the Reporting Period, the regulatory liquidity risk management indicator of our Company continued to comply with the regulatory requirements. As of June 30, 2017, the liquidity coverage ratio and the net stable funding ratio of our Company were 370.5% and 130.7%, respectively.

Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures or IT systems, human factors and external events.

Our Company has adopted the following measures to manage operational risk:

➢ Establishing a transparent organizational structure with a proper decision-making mechanism;

➢ Implementing sound policies and procedures and enforcing checks and balances;

➢ Establishing new product approval policy to define roles and responsibilities;

➢ Establishing a business continuity plan to ensure business continuity in the event of sudden business disruptions.

Management Discussion and Analysis

During the Reporting Period, there was no substantial change in nature and extent of operational risks exposed to our Company. Our Company continued to strengthen the operational risk management by enhancing IT systems and streamlining business procedures. Through developing business-related IT systems and optimizing and standardizing business procedures, our Company further improved the operation efficiency and reduced operational risk. Meanwhile, our Company continuously reinforces the firmwide culture of risk awareness and encourages all staff to proactively participate in operational risk management and to jointly control and manage risk.

Compliance Risk

Compliance risk refers to the risk of legal sanctions, regulatory actions, loss of property or damage to our reputation because of the violation of laws, regulations, self-regulatory rules or our internal policies arising from our operations and management activities or employee behavior.

Our Company has adopted the following measures to manage compliance risk:

➢ Our Company formulates and updates our internal policies and procedures to keep abreast with changes in laws, regulations and industry norms;

➢ Our Company conducts compliance reviews for new businesses. Our professional compliance team is responsible for examining new businesses and providing compliance advice. We implement effective compliance risk management measures at an early stage of new businesses;

➢ Our Company controls the circulation of sensitive information by monitoring information flows and establishing dynamic Chinese walls, with the aim to prevent risks of insider trading and manage conflicts of interest;

➢ Our Company has established a sound internal control system for anti-money laundering to fulfill our responsibilities for client identification and classification of client risk level. We identify and analyze suspicious transactions and promptly report to the regulators where necessary;

➢ Our Company undertakes compliance reviews in accordance with applicable laws, regulations, other regulatory documents, self-regulatory rules, industry norms and our internal policies, to monitor the compliance of our business operations and employee activities and identify and manage compliance risks in a proactive manner;

➢ Our Company adopts various means to cultivate a compliance culture with each business line, functional department and branch and provide compliance training to our employees to improve their compliance awareness;

➢ Our Company has established an accountability system in respect of employees' violations of laws, regulations and internal policies to impose applicable punishments on offenders.

During the Reporting Period, there was no substantial change in nature and extent of compliance risks exposed to our Company.

Management Discussion and Analysis

Legal Risk

Legal risk refers to the possible risk of economic loss or damage to our Company's reputation resulting from breach of contracts, infringement-related disputes, litigation or other legal disputes. Our Company manages, controls and prevents legal risks mainly through the following measures:

- Our Company continuously enhances our internal policies and business procedures from a legal perspective to ensure that our operations and management satisfy the requirements of applicable laws and regulations;

- Our Company formulates templates for various business contracts and requires our business departments to use our in-house templates to the fullest extent. We also review contracts drafted or provided by counterparties prior to entering into such contracts to mitigate the legal risk associated with performing such contracts;

- Our Company has internal policies on the engagement of external attorneys in the ordinary course of our business or when dealing with disputes and legal proceedings;

- The legal department of our Company is responsible for (i) the application, maintenance and protection of our trademarks, (ii) protection of our goodwill and trade secrets and (iii) taking actions against behavior that harms our reputation or interests;

- Our Company conducts legal training to enhance our employees' legal awareness;

- Our Company takes active measures to mitigate legal risks when disputes and litigation arise.

During the Reporting Period, there was no material change in the nature and extent of legal risks of our Company or in our ability to respond to legal risks.

Other Events

I. INTERIM DIVIDEND

The Board of Directors did not recommend to declare any interim dividend for the six months ended June 30, 2017 to the Shareholders.

II. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of the end of the Reporting Period, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Director/ Supervisor/chief executive	Class of shares	Capacity	Number of securities/ Type of shares held	Approximate percentage of shareholding in the total share capital of the Company (%)	Approximate percentage of shareholding in the relevant class of shares (%)
David Bonderman	H Shares	Interest of controlled corporation *(Note 1)*	171,749,719/ Long positions	4.310	11.298
Cha Mou Daid Johnson	H Shares	Beneficial owner	753,600/ Long positions	0.019	0.050
	H Shares	Beneficiary of a discretionary trust *(Note 2)*	122,559,265/ Long positions	3.075	8.062
Liu Haifeng David	H Shares	Founder of a discretionary trust *(Note 3)*	636,400/ Long positions	0.016	0.042
Edwin Roca Lim	H Shares	Beneficial owner	356,000/ Long positions	0.009	0.023
Shi Jun	H Shares	Others *(Note 4)*	116,800/ Long positions	0.003	0.008
Siu Wai Keung	H Shares	Beneficial owner	100,000/ Long positions	0.003	0.007
Han Weiqiang *(Note 5)*	H Shares	Others *(Note 6)*	116,800/ Long positions	0.003	0.008

Other Events

Notes:

(1) The interests deemed to be held by Mr. David Bonderman consists of 171,749,719 H Shares held by TPG. Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Asia GenPar V Advisors, Inc. (as general partner of TPG Asia GenPar V, L.P.), TPG Holdings I, L.P. (as the sole member of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, Inc. (as general partner of TPG Group Holdings (SBS), L.P.), Mr. David Bonderman and Mr. James Coulter (each holds a 50% interest in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the managing general partner of TPG), TPG Capital Advisors, LLC (as the sole member of TPG Capital Management, LLC, which is the general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.), is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the securities held by TPG.

(2) The interests deemed to be held by Mr. Cha Mou Daid Johnson consists of 122,559,265 H Shares held by Mingly. Mingly is held by certain discretionary trusts as to 96.12% as at June 30, 2017, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees, and Mr. Cha Mou Daid Johnson is among the members of the class of discretionary beneficiaries.

(3) Mr. Liu Haifeng David is interested in 636,400 H Shares through a discretionary trust, The Liu Family Legacy Trust, of which he is the founder.

(4) Mr. Shi Jun holds interests through asset management schemes established by Galaxy Capital Asset Management Co., Ltd.

(5) Mr. Han Weiqiang resigned from his position as the Chairman of the Supervisory Committee and staff representative supervisor due to changes in work arrangements, with effect from June 7, 2017.

(6) Mr. Han Weiqiang holds interests through asset management schemes established by Galaxy Capital Asset Management Co., Ltd.

III. RIGHTS OF DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

As of the end of the Reporting Period, none of the Directors, Supervisors or their respective spouses or minor children were granted with rights or had exercised any such rights to acquire benefits by means of acquisition of shares or debentures of the Company. Neither the Company nor any of its subsidiaries were a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children to acquire such rights from any other body corporate.

IV. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As of the end of the Reporting Period, to the knowledge of the Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company as disclosed above) have interests or short positions in shares or underlying shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and have recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name of Substantial Shareholders	Class of shares	Capacity	Number of securities/ Type of shares held	Approximate percentage of shareholding in the total share capital of the Company (%)	Approximate percentage of shareholding in the relevant class of shares (%)
Huijin	Domestic Shares	Beneficial owner	2,334,655,680/ Long positions	58.584	94.714
		Interests of controlled corporation *(Note 1)*	2,734,800/ Long positions	0.069	0.111
GIC	H Shares	Beneficial owner	273, 091,435 *(Note 2)*/ Long positions	6.853	17.964
TPG *(Note 3)*	H Shares	Beneficial owner	171,749,719/ Long positions	4.310	11.298
KKR Institutions Investments *(Note 4)*	H Shares	Beneficial owner	166,747,300/ Long positions	4.184	10.969
I&G *(Note 5)*	Domestic Shares	Beneficial owner	127,562,960/ Long positions	3.201	5.175
Mingly *(Note 6)*	H Shares	Beneficial owner	122,559,265/ Long positions	3.075	8.062
Great Eastern *(Note 7)*	H Shares	Beneficial owner	83,373,650/ Long positions	2.092	5.484

Notes:

(1) Each of Jianyin Investment, JIC Investment and China Investment Consulting is wholly owned by Huijin. Therefore, Huijin is deemed to be interested in 2,734,800 Domestic Shares held by Jianyin Investment, JIC Investment and China Investment Consulting for the purpose of the SFO.

(2) Based on the information available to our Company, the number of shares effectively held by GIC is 272,631,835 Shares as at June 30, 2017. Since the change in the number of shares held by GIC does not trigger the reporting obligation under Part XV of the SFO, the register of interest in shares did not reflect such changes and the latest number of shares held by GIC.

Other Events

(3) Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Asia GenPar V Advisors, Inc. (as general partner of TPG Asia GenPar V, L.P.), TPG Holdings I, L.P. (as the sole member of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, Inc. (as general partner of TPG Group Holdings (SBS), L.P.), Mr. David Bonderman and Mr. James Coulter (each holds a 50% interest in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the managing general partner of TPG), TPG Capital Advisors, LLC (as the sole member of TPG Capital Management, LLC, which is the general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.), is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the H Shares held by TPG.

(4) Each of KKR Associates Asia L.P. (as general partner of KKR Institutions Investments), KKR Associates Millennium L.P. (as general partner of KKR Institutions Investments), KKR Millennium GP LLC (as general partner of KKR Associates Millennium L.P.), KKR Asia Limited (Cayman Islands) (as general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited (Cayman Islands)), KKR Fund Holdings GP Limited (as general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as general partner of KKR & Co. L.P.) and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the H Shares held by KKR Institutions Investments under the SFO. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the H Shares held by KKR Institutions Investments.

(5) As at June 30, 2017, State Development & Investment Corporation (國家開發投資公司), a PRC state-owned enterprise, holds approximately 47.20% shares of I&G and is therefore deemed to be interested in the Domestic Shares held by I&G under the SFO.

(6) As at June 30, 2017, Mingly is held by certain, but not identical discretionary trusts as to 96.12%, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees and members of the classes of discretionary beneficiaries comprise the late Dr. Cha Chi Ming's issue.

(7) Oversea-Chinese Banking Corporation Limited holds 87.75% equity interest of Great Eastern Holdings Limited as at June 30, 2017, which in turn holds 100% equity interest of Great Eastern. Each of Oversea-Chinese Banking Corporation Limited and Great Eastern Holdings Limited are therefore deemed to be interested in the H Shares held by Great Eastern under the SFO.

V. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company strictly complied with the Corporate Governance Code, followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code.

VII. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiries to all Directors and Supervisors concerning the compliance with the Model Code. All Directors and Supervisors confirmed that they have strictly observed all standards set out in the Company's code of conduct regarding Directors' and Supervisors' securities transactions during the Reporting Period.

VIII. AUDIT

The 2017 interim financial report of the Company is unaudited. The Audit Committee under the Board of Directors has reviewed the unaudited interim financial report of the Company for the six months ended June 30, 2017, and did not raise any objection to the accounting policy and practices which were adopted by the Company. The external auditor of the Company has reviewed the interim financial report of the Company for the six months ended June 30, 2017 in accordance with Hong Kong Standard on Review Engagements 2410.

IX. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group did not have any material litigation or arbitration.

X. CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(A) Change in Directors and composition of Board Committees

Mr. Ding Xuedong resigned from his position as the Chairman of the Board, Legal Representative, non-executive Director, the chairman of the Strategy Committee and member of the Nomination and Corporate Governance Committee under the Board of Directors due to work rearrangement, with effect from February 27, 2017. The aforesaid details in the change were disclosed in the announcement dated February 28, 2017 as published by the Company in respect of the resignation of Chairman of the Board. As the election of the new Chairman of the Board shall go through statutory procedures, Mr. Bi Mingjian, as nominated by over half of the directors pursuant to the requirements of the Articles of Association, has started to perform the duties of the Chairman of the Board, legal representative, and the chairman of the Strategy Committee under the Board since March 1, 2017 and till the new Chairman of the Board is elected. The aforesaid details in the change were disclosed in the announcement dated March 2, 2017 as published by the Company.

(B) Change in Supervisors

During the Reporting Period, Mr. Han Weiqiang resigned from his position as the Chairman of the Supervisory Committee and employee-representative Supervisor due to work rearrangement, with effect from June 7, 2017. Mr. Gao Tao was elected as the new employee-representative Supervisor on June 2, 2017 at the first meeting of the employee representatives of the Company in 2017 and as the Chairman of the Supervisory Committee at the meeting of the Supervisory Committee on June 7, 2017. The term of office of Mr. Gao Tao as the Chairman of the Supervisory Committee and the employee-representative Supervisor took effect from June 7, 2017 and until the election of the next session of the Supervisory Committee. The aforesaid details in the change were disclosed in the announcement dated June 7, 2017 as published by the Company in respect of the change in Supervisor and Chairman of the Supervisory Committee.

(C) Change in biographies of Directors and Supervisors

The Company has made specific enquiries to all Directors and Supervisors, and it is confirmed that the following Directors and Supervisor have changes in biographies during the Reporting Period:

Mr. Bi Mingjian, the executive Director and Chief Executive Officer, started to serve as non-executive director of CISC since March 2017; Mr. David Bonderman, our non-executive Director, had changes in positions he held in other listed corporations; Mr. Liu Li, our independent non-executive Director, started to serve as an independent director of CNPC Capital Company Limited, a Company listed on the Shenzhen Stock Exchange, since June 2017; Mr. Ben Shenglin, our independent non-executive Director, ceased to serve as a director of Xiamen International Financial Technology Co., Ltd.; and Mr. Liu Haoling, our Supervisor, ceased to serve as supervisor of China Export & Credit Insurance Corporation since May 2017.

Other Events

The biographies of the above-mentioned Directors and Supervisor after amendment are as follows:

Mr. Bi Mingjian (畢明建), aged 62, has been appointed as a Director of our Company since May 2015, and a non-executive director of CISC since March 2017. He has also served as the Chief Executive Officer and Chairman of the Management Committee of our Company since March 2015. He joined the Group in August 1995 and participated in the establishment of our Company. He held several positions in the Group, including Deputy Chief Executive Officer, member and Acting Chairman of the Management Committee, Co-Chief Operating Officer and Co-Head of the Investment Banking Department from August 1995 to February 2006. He served as a senior advisor to our Company from March 2006 to November 2012. He served as a managing partner of HOPU Investment Management Co., Ltd. from November 2012 to March 2015. Prior to August 1995, he served as the deputy division chief of the State Farms and Reclamation Bureau of the Ministry of Agriculture from January 1984 to December 1985, operation officer of the World Bank China Office from December 1985 to June 1988, deputy director of the project office of China Rural Trust and Investment Corporation from June 1988 to October 1988 and project economist and advisor of the World Bank from October 1988 to January 1994. He currently serves as a director of a number of the subsidiaries of our Company. Mr. Bi obtained a diploma in English from East China Normal University (華東師範大學) in December 1982 and a master of business administration degree from George Mason University, the United States, in January 1993.

Mr. David Bonderman (大衛•龐德文), aged 74, has been appointed as a Director of our Company since November 2010. He is a founding partner of Texas Pacific Group ("TPG"), an affiliate of one of the substantial shareholders of our Company. Through its global buyout platform, TPG generally makes significant investments in operating companies through acquisitions and restructurings across a broad range of industries globally. Prior to forming TPG in 1992, he was Chief Operating Officer of the Robert M. Bass Group, Inc. (RMBG), now doing business as Keystone Group, L.P. in Fort Worth, Texas. Prior to joining RMBG in 1983, he was a partner in the law firm of Arnold & Porter in Washington, D.C., where he specialized in corporate, securities, bankruptcy and antitrust litigation. From 1969 to 1970, he was a Fellow in Foreign and Comparative Law in conjunction with Harvard University and from 1968 to 1969, he was Special Assistant to the U.S. Attorney General in the Civil Rights Division. From 1967 to 1968, he was Assistant Professor at Tulane University School of Law in New Orleans. Mr. Bonderman currently serves on a number of boards, including: director of Ryanair Holdings Plc, a company listed on the Irish Stock Exchange (Ticker: RYA), London Stock Exchange (Ticker: RYA) and NASDAQ (Ticker: RYAAY), since August 1996; director of Caesars Entertainment Corporation (formerly known as Harrah's Entertainment, Inc.), a company listed on the NASDAQ (Ticker: CZR), since January 2008; director of Kite Pharma, Inc., a company listed on the NASDAQ (Ticker: KITE), since March 2011; director of TPG Pace Energy Holdings Corp., a company listed on the New York Stock Exchange (Ticker: TPGE), since April 2017; and director of TPG Pace Holdings Corp., a company listed on the New York Stock Exchange (Ticker: TPGH), since April 2017. In addition, he serves on the boards of The Wilderness Society and the Grand Canyon Trust. Mr. Bonderman has also served as a director in, among others, Costar Group, Inc. (formerly known as Realty Information Group), a company listed on the NASDAQ (Ticker: CSGP), from May 1995 to June 2015; Armstrong World Industries, Inc., a company listed on the New York Stock Exchange (Ticker: AWI), from September 2009 to June 2012; General Motors Company, a company listed on the New York Stock Exchange (Ticker: GM), from July 2009 to June 2014; and VTB Group, a company listed on the Moscow Exchange (Ticker: VTBR) and London Stock Exchange (Ticker: VTBR LI), from March 2011 to June 2014; and Pace Holdings Corp. (formerly known as Paceline Holdings Corp.), a company listed on the NASDAQ (Ticker: PACE), from July 2015 to March 2017. In June 1963, Mr. Bonderman obtained a bachelor's degree in Slavic languages and literatures: Russian from University of Washington in the United States. In June 1966, he graduated magna cum laude from Harvard Law School in the United States, with a bachelor's degree in Law. He was a member of the Harvard Law Review and a Sheldon Fellow.

Other Events

Mr. Liu Li (劉力), aged 61, has been appointed as a Director of our Company since June 2016. He currently holds positions such as a Finance Professor in Guanghua School of Management of Peking University and Deputy Head and Doctoral Supervisor in Finance and Securities Research Center of Peking University. Mr. Liu has been teaching in Guanghua School of Management (formerly known as Economic Management Department of School of Economics) of Peking University since January 1986, and had been teaching in Beijing Institute of Iron and Steel from September 1984 to December 1985. He served as an independent non-executive director of Metallurgical Corporation of China Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601618) and the Hong Kong Stock Exchange (stock code: 1618), from December 2008 to November 2014, and independent director of Bohai Ferry Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603167), from December 2009 to March 2014. Mr. Liu currently serves as an independent director of China Oil HBP Science & Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002554), since December 2009, independent non-executive director of China Machinery Engineering Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 1829), since January 2011, independent director of Langfang Development Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600149), since August 2011, independent non-executive director of Bank of Communications Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 3328), since September 2014, independent director of Success Electronics Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 002289), since January 2016, and independent director of CNPC Capital Company Limited, a company listed on the Shenzhen Stock Exchange (stock code: 000617), since June 2017. Mr. Liu obtained a master degree in physics from Peking University in July 1984 and MBA from Catholic University of Louvain in Belgium in July 1989.

Mr. Ben Shenglin (賁聖林), aged 51, has been appointed as a Director of our Company since May 2015. He held several positions in ABN Amro in China and London, including leadership roles such as senior vice president and China business head from March 2003 to February 2005. He served at HSBC in China from February 2005 to April 2010 as a senior executive, including managing director and China country head of commercial banking from January 2007 to April 2010. From April 2010 to April 2014, he was with JP Morgan Chase as a member of the global leadership team at global corporate bank and the chief executive officer of J.P. Morgan Chase Bank (China). Mr. Ben currently serves as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2142), since September 2014, independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 168), since June 2014, independent director of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016, and supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601166), since December 2016. He joined the School of Management of Zhejiang University (浙江大學管理學院) since May 2014 and currently serves as a full-time professor of banking and finance and doctoral advisor. He is also the dean of Academy of Internet Finance since April 2015, and director of Center for Internet and Financial Innovation of the School of Management of Zhejiang University since December 2014. He also currently serves as an executive director of the International Monetary Institute in Renmin University of China since January 2014 and a counsellor of the Zhejiang People's Government since August 2014. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

Other Events

Mr. Liu Haoling (劉浩淩), aged 45, has been appointed as a Supervisor of our Company since May 2015. He served as a preparatory group member for the establishment of ABN AMRO Xiangcai Fund Management Co. Ltd. from January 2002 to June 2002, manager of the legal and compliance department and secretary of the board of directors of China Euro Securities Limited from July 2003 to March 2007, and an associate of the compliance department of Goldman Sachs Gao Hua Securities Company Limited from April 2007 to February 2008. He held several positions in CIC, including the business head and senior manager of the legal and compliance department from March 2008 to April 2011. He also served as a director of New China Life Insurance Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) and Shanghai Stock Exchange (Stock Code: 601336), from December 2009 to September 2010. He served as a supervisor of China Export & Credit Insurance Corporation from December 2012 to May 2017, and served as a deputy head of the general management department of Huijin from May 2011 to June 2016. He currently serves as a head of the general management department/banking institutions department II and a managing director of Huijin since July 2016 and since July 2014, respectively. Mr. Liu obtained a bachelor's degree in English from Peking University (北京大學) in July 1995, a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1997, a master's degree in law from The University of Iowa, the United States, in May 1998 and a master's degree in finance from London Business School of University of London, the United Kingdom, in September 2003.

The biographies of other Directors and Supervisors were disclosed in the 2016 annual report dated April 20, 2017 as published by the Company.

(D) Change in Senior Management

Due to work rearrangement, Ms. Sun Dongqing ceased to serve as a member of the Management Committee since February 7, 2017. The adjustment is considered and approved by the Board of Directors.

Mr. Xin Jie resigned from his position as Chief Financial Officer of the Company and he no longer served as a member of the Management Committee due to changes in work arrangements, with effect from February 15, 2017. The Board of Directors considered and approved the appointment of Mr. Wong King Fung as the Chief Financial Officer of the Company and a member of the Management Committee, with effect from February 15, 2017.

The Board of Directors considered and approved our appointment of Ms. Yang Xinping as assistant President of our Company, with effect from February 15, 2017.

CISC has become a wholly-owned subsidiary of the Company since March 21, 2017. In order to promote the integration of the Company and CISC, and to realize the synergies, the Board of Directors appointed Mr. Hu Changsheng, president of CISC, as a member of the Management Committee of the Company. The term of office of Mr. Hu Changsheng took effect from June 8, 2017.

Mr. Huang Kanglin resigned from his position as Chief Risk Officer due to changes in work arrangements, with effect from June 8, 2017. The Board of Directors considered and approved to elect Mr. Zhang Fengwei as Chief Risk Officer, with effect from June 8, 2017.

Save from the above-mentioned changes, there was no other change in Directors, Supervisors and senior management of our Company during the Reporting Period.

Other Events

XI. EMPLOYEES AND REMUNERATION

As at June 30, 2017, we had 6,749 employees, among which 6,304 employees were based in the PRC and 445 employees were based in Hong Kong, Singapore, the United States and the United Kingdom, representing 93% and 7%, respectively, of the total number of our employees. Approximately 48% and 36% of our employees had obtained bachelor's degrees or master's degrees and above, respectively. Moreover, approximately 20% of our employees and 35% of our managing directors had overseas education or working experience.

During the Reporting Period, the significant increase in the number of employees of our Group was mainly due to the increase from CISC as a result of the Acquisition.

During the Reporting Period, there was no change in the remuneration policy and training plans of the Company. For related information, please refer to "Directors, Supervisors, Senior Management and Employees" in the 2016 Annual Report of the Company.

Review Report of the Independent Auditors

Review report to the board of directors of
CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 68 to 144 which comprises the condensed consolidated statement of financial position of China International Capital Corporation Limited (the "Company") as of 30 June 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 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 enquires, 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.

Review Report of the Independent Auditors

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG
Certified Public Accountants

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

25 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

for the six months ended 30 June 2017 (Expressed in Renminbi ("RMB"), unless otherwise stated)

	Note	Six months ended 30 June 2017	2016
Revenue:			
Fee and commission income	7	**3,002,007,105**	2,107,090,481
Interest income	8	**1,249,882,633**	455,266,289
Investment income	9	**1,567,665,905**	606,370,312
Total revenue		**5,819,555,643**	3,168,727,082
Other income	10	**47,529,330**	52,081,617
Total revenue and other income		**5,867,084,973**	3,220,808,699
Expenses:			
Fee and commission expenses	11	**283,067,623**	134,907,614
Interest expenses	12	**1,226,137,749**	628,495,629
Staff costs	13	**2,072,635,625**	1,150,388,084
Depreciation and amortization expenses		**85,258,331**	31,936,478
Tax and surcharges		**20,742,966**	85,032,612
Other operating expenses and costs	14	**743,663,612**	476,941,382
Reversal of impairment losses	15	**(2,286,846)**	(512,641)
Total expenses		**4,429,219,060**	2,507,189,158
Operating profit		**1,437,865,913**	713,619,541
Share of profits of associates and joint ventures		**39,441,666**	25,733,653
Profit before income tax		**1,477,307,579**	739,353,194
Less: Income tax expense	16	**348,264,650**	164,458,625
Profit for the period		**1,129,042,929**	574,894,569
Attributable to:			
Shareholders of the Company and holders of other equity instruments	17	**1,110,825,787**	574,877,398
Non-controlling interests		**18,217,142**	17,171
Basic and diluted earnings per share (in RMB per share)	17	**0.34**	0.24

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

for the six months ended 30 June 2017 (Expressed in Renminbi ("RMB"), unless otherwise stated)

	Six months ended 30 June	
	2017	2016
Profit for the period	**1,129,042,929**	574,894,569
Other comprehensive income for the period		
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
– Changes in fair value	**59,047,104**	18,879,929
– Tax effect	**1,946,120**	(4,498,766)
– Reclassified to profit or loss as investment income	**(74,168,548)**	(2,731,675)
Interest in associates and joint ventures:		
– Share of other comprehensive income	**2,768,936**	–
– Tax effect	**(692,234)**	–
Exchange differences on translation of financial statements of overseas subsidiaries	**(122,590,692)**	66,337,402
Total other comprehensive income for the period, net of tax	**(133,689,314)**	77,986,890
Total comprehensive income for the period	**995,353,615**	652,881,459
Attributable to:		
Shareholders of the Company and holders of other equity instruments	**977,095,750**	652,864,288
Non-controlling interests	**18,257,865**	17,171

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position – Unaudited

at 30 June 2017 (Expressed in RMB, unless otherwise stated)

	Note	At 30 June 2017	At 31 December 2016
Non-current assets:			
Property and equipment	18	**451,082,019**	208,497,860
Goodwill	19	**1,582,678,646**	–
Intangible assets	20	**178,130,623**	571,063
Interest in associates and joint ventures		**834,587,458**	550,502,725
Available-for-sale financial assets	21	**1,254,042,942**	730,290,776
Financial assets held under resale agreements ("reverse REPOs")	22	**1,401,802,936**	–
Refundable deposits	23	**2,465,291,476**	1,023,609,582
Deferred tax assets	24	**917,530,494**	830,089,639
Other non-current assets		**1,472,730,277**	70,100,033
Total non-current assets		**10,557,876,871**	3,413,661,678
Current assets:			
Accounts receivable	25	**10,323,404,293**	6,581,290,461
Receivable from margin clients	26	**19,149,515,970**	3,045,177,445
Available-for-sale financial assets	21	**11,305,577,998**	312,784,706
Financial assets at fair value through profit or loss	27	**69,689,137,106**	55,154,841,690
Derivative financial assets	28	**2,227,889,635**	1,722,006,524
Reverse REPOs	22	**8,613,060,857**	3,939,568,791
Interest receivable		**1,339,899,892**	480,752,367
Cash held on behalf of brokerage clients	29	**48,711,708,288**	16,717,391,180
Cash and bank balances	30	**21,292,543,657**	10,504,589,105
Other current assets		**161,974,937**	76,427,363
Total current assets		**192,814,712,633**	98,534,829,632
Total assets		**203,372,589,504**	101,948,491,310

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position – Unaudited

at 30 June 2017 (Expressed in RMB, unless otherwise stated)

	Note	**At 30 June 2017**	At 31 December 2016
Current liabilities:			
Financial liabilities at fair value through profit or loss	32	**10,003,963,923**	9,742,607,517
Derivative financial liabilities	28	**2,355,527,569**	1,676,431,070
Accounts payable to brokerage clients	33	**53,463,039,122**	17,392,360,452
Placements from financial institutions	34	**3,631,148,600**	3,528,516,500
Short-term debt securities issued	35	**1,670,288,000**	2,649,593,509
Financial assets sold under repurchase agreements ("REPOs")	36	**29,599,773,778**	5,478,467,755
Employee benefits payable		**3,010,889,940**	2,989,284,079
Income tax payable		**164,312,420**	565,657,276
Long-term debt securities issued due within one year	37	**206,408,767**	–
Dividends payable	38	**1,373,785,424**	–
Other current liabilities	39	**25,797,110,031**	19,905,502,141
Total current liabilities		**131,276,247,574**	63,928,420,299
Net current assets		**61,538,465,059**	34,606,409,333
Total assets less current liabilities		**72,096,341,930**	38,020,071,011
Non-current liabilities:			
Non-current employee benefits payable		**602,817,042**	522,791,962
Long-term debt securities issued	37	**35,496,132,568**	18,948,469,092
Deferred tax liabilities	24	**247,590,628**	40,200,254
Other non-current liabilities		**170,004,431**	11,851,523
Total non-current liabilities		**36,516,544,669**	19,523,312,831
Net assets		**35,579,797,261**	18,496,758,180

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position – Unaudited

at 30 June 2017 (Expressed in RMB, unless otherwise stated)

	Note	**At 30 June 2017**	At 31 December 2016
Equity:			
Share capital	40	**3,985,130,809**	2,306,669,000
Other equity instruments	41	**1,000,000,000**	1,000,000,000
Reserves	40	**24,522,020,537**	9,639,367,087
Retained profits		**5,916,207,304**	5,500,908,886
Total equity attributable to shareholders of the Company and holders of other equity instruments		**35,423,358,650**	18,446,944,973
Non-controlling interests		**156,438,611**	49,813,207
Total equity		**35,579,797,261**	18,496,758,180

Approved and authorized for issue by the board of directors on 25 August 2017.

Bi Mingjiang
Chief Executive Officer

Wong King Fung
Chief Financial Officer

Company chop

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity – Unaudited

for the six months ended 30 June 2017 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
			Reserves								
	Share capital (Note 40(a))	Other equity instruments (Note 41)	Capital reserve (Note 40(b))	Surplus reserve (Note 40(b))	General reserves (Note 40(b))	Investment revaluation reserve (Note 40(b))	Foreign currency translation reserve (Note 40(b))	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	2,306,669,000	1,000,000,000	7,705,668,325	255,669,229	1,663,056,264	64,793,432	(49,820,163)	5,500,908,886	18,446,944,973	49,813,207	18,496,758,180
Changes in equity for the six months ended 30 June 2017											
Profit for the period	–	–	–	–	–	–	–	1,110,825,787	1,110,825,787	18,217,142	1,129,042,929
Other comprehensive income for the period	–	–	–	–	–	(11,139,345)	(122,590,692)	–	(133,730,037)	40,723	(133,689,314)
Total comprehensive income for the period	–	–	–	–	–	(11,139,345)	(122,590,692)	1,110,825,787	977,095,750	18,257,865	995,353,615
Appropriation to general reserves	–	–	–	–	906,440	–	–	(906,440)	–	–	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)	–	(57,000,000)
Dividends to shareholders of the Company	–	–	–	–	–	–	–	(637,620,929)	(637,620,929)	–	(637,620,929)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(17,831,593)	(17,831,593)
Issuance of shares for acquisition	1,678,461,809	–	14,993,768,126	–	–	–	–	–	16,672,229,935	–	16,672,229,935
Acquisition of subsidiary with contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	106,199,132	106,199,132
Others	–	–	21,708,921	–	–	–	–	–	21,708,921	–	21,708,921
Balance at 30 June 2017	3,985,130,809	1,000,000,000	22,721,145,372	255,669,229	1,663,962,704	53,654,087	(172,410,855)	5,916,207,304	35,423,358,650	156,438,611	35,579,797,261

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity – Unaudited

for the six months ended 30 June 2017 (Expressed in RMB, unless otherwise stated)

	Attributable to shareholders of the Company and holders of other equity instruments										
			Reserves								
	Share capital (Note 40(a))	Other equity instruments (Note 41)	Capital reserve (Note 40(b))	Surplus reserve (Note 40(b))	General reserves (Note 40(b))	Investment revaluation reserve (Note 40(b))	Foreign currency translation reserve (Note 40(b))	Retained profits	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	2,306,669,000	1,000,000,000	7,705,668,325	152,845,657	1,453,076,638	71,500,530	(298,213,546)	4,050,454,330	16,442,000,934	–	16,442,000,934
Changes in equity for the six months ended 30 June 2016											
Profit for the period	–	–	–	–	–	–	–	574,877,398	574,877,398	17,171	574,894,569
Other comprehensive income for the period	–	–	–	–	–	11,649,488	66,337,402	–	77,986,890	–	77,986,890
Total comprehensive income for the period	–	–	–	–	–	11,649,488	66,337,402	574,877,398	652,864,288	17,171	652,881,459
Appropriation to general reserves	–	–	–	–	555,931	–	–	(555,931)	–	–	–
Distributions to holders of perpetual subordinated bonds	–	–	–	–	–	–	–	(57,000,000)	(57,000,000)	–	(57,000,000)
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	30,000,000	30,000,000
Balance at 30 June 2016 and 1 July 2016	2,306,669,000	1,000,000,000	7,705,668,325	152,845,657	1,453,632,569	83,150,018	(231,876,144)	4,567,775,797	17,037,865,222	30,017,171	17,067,882,393
Changes in equity for the six months ended 31 December 2016											
Profit for the period	–	–	–	–	–	–	–	1,245,380,356	1,245,380,356	19,796,036	1,265,176,392
Other comprehensive income for the period	–	–	–	–	–	(18,356,586)	182,055,981	–	163,699,395	–	163,699,395
Total comprehensive income for the period	–	–	–	–	–	(18,356,586)	182,055,981	1,245,380,356	1,409,079,751	19,796,036	1,428,875,787
Appropriation to surplus reserve	–	–	–	102,823,572	–	–	–	(102,823,572)	–	–	–
Appropriation to general reserves	–	–	–	–	209,423,695	–	–	(209,423,695)	–	–	–
Balance at 31 December 2016	2,306,669,000	1,000,000,000	7,705,668,325	255,669,229	1,663,056,264	64,793,432	(49,820,163)	5,500,908,886	18,446,944,973	49,813,207	18,496,758,180

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

for the six months ended 30 June 2017 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
Cash flows from operating activities:		
Profit before income tax	1,477,307,579	739,353,194
Adjustments for:		
Interest expenses on debt securities issued and other financing expenses	621,291,327	272,393,180
Depreciation and amortization expenses	85,258,331	31,936,478
Reversal of impairment losses	(2,286,846)	(512,641)
Net losses on disposal of property, equipment and other assets	1,179,744	3,540,716
Fair value losses on financial instruments at fair value through profit or loss	226,921,148	6,841,045
Foreign exchange losses	49,315,931	7,089,516
Net gains on disposal of investments in financial assets	(70,849,672)	(6,874,141)
Dividend income from investments in financial assets, and share of profits of associates and joint ventures	(229,384,919)	(43,462,022)
Operating cash flows before movements in working capital	2,158,752,623	1,010,305,325
Decrease in receivables from margin clients	1,988,753,862	749,312,711
(Increase)/decrease in accounts receivable, other receivables and prepayments	(3,369,554,475)	563,779,007
Decrease/(increase) in reverse REPOs	575,411,025	(1,454,359,505)
Increase in financial instruments at fair value through profit or loss	(7,153,414,367)	(10,041,914,061)
Increase in available-for-sale financial assets	(10,532,953,799)	–
(Increase)/decrease in cash held on behalf of brokerage clients	(1,379,956,683)	3,777,407,720
Decrease/(increase) in restricted bank deposits	118,370,200	(384,858,732)
Increase in refundable deposits	(1,315,707,762)	(257,683,221)
Increase/(decrease) in accounts payable to brokerage clients	5,387,508,507	(3,778,695,927)
Increase in REPOs	9,276,317,504	2,766,332,032
(Decrease)/Increase in other liabilities	(453,180,699)	7,238,242,830
Cash (used in)/generated from operating activities, before tax	(4,699,654,064)	187,868,179
Income taxes paid	(601,608,161)	(428,023,719)
Net cash used in operating activities	(5,301,262,225)	(240,155,540)

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

for the six months ended 30 June 2017 (Expressed in RMB, unless otherwise stated)

	Six months ended 30 June	
	2017	2016
Cash flows from investing activities:		
Cash and cash equivalents from acquisition of a subsidiary	7,631,792,908	–
Proceeds from sales of investments	518,993,449	306,000,000
Investment returns received	319,354,615	24,633,599
Proceeds from disposal of property, equipment and other assets	332,566	76,030
Payment for acquisition of investments	(167,105,487)	(327,433,537)
Payment for the purchase of property, equipment and other assets	(109,599,394)	(63,678,385)
Net cash generated from/(used in) investing activities	8,193,768,657	(60,402,293)
Cash flows from financing activities:		
Cash received from corporate bonds issued	6,000,000,000	–
Cash received from beneficiary certificates issued	5,278,560,000	4,619,200,877
Cash received from subordinated bonds issued	600,000,000	–
Cash received from medium-term notes issued	–	3,315,600,000
Capital contribution from non-controlling interests	–	30,000,000
Cash received relating to other financing activities	2,605,237,037	–
Repayment of beneficiary certificates	(6,057,865,509)	(1,400,000,000)
Cash paid for interest	(170,052,644)	(177,652,972)
Distributions to holders of other equity instruments	(57,000,000)	(57,000,000)
Repayment of syndication loan	–	(1,623,400,000)
Repayment of USD notes issued	–	(1,094,148,000)
Cash paid relating to other financing activities	(108,767,886)	(26,168,957)
Net cash generated from financing activities	8,090,110,998	3,586,430,948

The notes on pages 78 to 144 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

for the six months ended 30 June 2017 (Expressed in RMB, unless otherwise stated)

	Note	Six months ended 30 June **2017**	2016
Net increase in cash and cash equivalents		10,982,617,430	3,285,873,115
Cash and cash equivalents at the beginning of the period		9,898,842,564	7,992,199,885
Effect of changes in foreign exchange rate		(76,292,678)	81,951,885
Cash and cash equivalents at the end of the period	31	20,805,167,316	11,360,024,885
Net cash generated from operating activities including:			
Interest received		1,623,138,328	944,964,453
Interest paid		(635,258,399)	(373,370,899)

The notes on pages 78 to 144 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

1 GENERAL INFORMATION

China International Capital Corporation Limited (中國國際金融股份有限公司) (the "Company") was established on 31 July 1995 in the People's Republic of China ("PRC") as approved by the People's Bank of China ("PBOC").

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong on 9 November 2015.

The Company acquired 100% equity interests in China Investment Securities Company Limited ("CISC") in March 2017 and issued 1,678,461,809 domestic shares to Central Huijin Investment Ltd. ("Huijin") as a consideration of this acquisition. After the completion of acquisition, the registered capital and share capital of the Company increased to RMB3,985,130,809.

The registered address of the Company is the 27th and 28th Floor, China World Trade Center 2, 1 Jian Guo Men Wai Avenue, Beijing.

The Company and its subsidiaries (together "the Group") are principally engaged in investment banking business, equities business, fixed-income, currency and commodity ("FICC") business, wealth management business, investment management business and other business activities.

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, including compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (the "IASB"). It was authorized for issue on 25 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to IFRSs *2014-2016 Cycle*
- Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealized losses*

Annual Improvements to IFRSs *2014-2016 Cycle*

This cycle of annual improvements contains amendments to three standards. Among them, Amendments to IFRS 12 *Disclosure of Interests in Other Entities* clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealized losses*

The amendments to IAS 12 clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2018 with earlier adoption permitted; however, the Group did not early adopt the following new or amended standards in preparing these condensed consolidated interim financial statements. Of these, the following amendments are relevant to the Group:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRS 16, *Leases*

IFRS 9, *Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these revisions are not yet complete. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reasonably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time, as well as accounting elections and judgements that it will make in the future. However, the Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on its positions at 30 June 2017 and hedging relationships designated during the first half of 2017 under IAS 39 *Financial Instruments: Recognition and Measurement*.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

IFRS 9, *Financial instruments* *(continued)*

- **Classification – Financial assets**

  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

  IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

  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.

  Based on its preliminary assessment, the Group does not believe that the new classification requirements, if they had been applied at 30 June 2017, would have had a material impact on its accounting for receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. At 30 June 2017, the Group had equity investments for non-trading purposes classified as available-for-sale with a fair value of RMB1,335 million. If these investments continue to be held for the same purpose at initial application of IFRS 9, then the Group may elect to classify them as at FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in OCI, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group's profits.

- **Impairment – Financial assets and contract assets**

  IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

  The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

  Under IFRS 9, loss allowances will be measured on either of the following bases:

  – 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or

  – lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

IFRS 9, *Financial instruments* *(continued)*

- **Impairment – Financial assets and contract assets** *(continued)*

  Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that the credit risk of a financial asset has not increased significantly if the asset has a low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

  The Group's preliminary assessment did not indicate any material impact on its financial statement if IFRS 9's requirements regarding the impairment methodologies were applied at 30 June 2017.

- **Classification – Financial liabilities**

  IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

  – the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

  – the remaining amount of change in the fair value is presented in profit or loss.

  The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements on the classification of financial liabilities were applied at 30 June 2017.

- **Hedge accounting**

  When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group's current plan is that it will elect to apply the new requirements of IFRS 9.

  IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on the rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The Group currently does not undertake hedges of such risk components.

  The Group uses interest rate swap contracts to hedge the interest rate risk of long-terms debt securities issued. The Group's preliminary assessment indicated that the types of hedge accounting relationships that the Group currently designates should be capable of meeting the requirements of IFRS 9 if the Group completes certain planned changes to its internal documentation and monitoring processes.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

IFRS 9, *Financial instruments* *(continued)*

- **Disclosures**

  IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programs*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

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

IFRS 16, *Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including 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 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. No significant impact on the financial performance is expected for the Group's finance leases.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

IFRS 16, *Leases* *(continued)*

- **Determining whether an arrangement contains a lease**

  On transition to IFRS 16, if the Group has an arrangement that is not in the legal form of a lease but contains a lease of equipment under IFRIC 4, the Group can choose whether to:

  – Apply the IFRS 16 definition of a lease to all its contracts; or

  – Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

  The Group is assessing whether to apply the practical expedient and the potential impact on its financial statements.

- **Transition**

  As a lessee, the Group can either apply the standard using a:

  – Retrospective approach; or

  – Modified retrospective approach with optional practical expedients.

  The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

  The Group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, among other things, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

5 USE OF JUDGEMENTS AND ESTIMATES

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

6 TAXATION

(a) Business tax and surcharges

Services provided by the Company and its domestic subsidiaries are subject to business tax before 1 May 2016. The business tax rate applicable to the Company and its domestic subsidiaries is 5%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of business tax respectively.

(b) Value-added tax ("VAT") and surcharges

Services provided by the Company and its domestic subsidiaries are subject to VAT since 1 May 2016. The applicable tax rate is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

(c) Income tax

The income tax rate applicable to the Company and its domestic subsidiaries is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong is 16.5%. Taxes of other overseas subsidiaries are charged at the relevant local rates.

7 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2017	2016
Brokerage commission income	**1,312,744,167**	833,546,092
Asset management fees	**672,803,669**	304,072,110
Underwriting and sponsoring fees	**650,125,284**	746,956,811
Financial advisory fees	**251,203,969**	163,243,811
Investment advisory fees	**99,047,210**	59,271,657
Others	**16,082,806**	–
Total	**3,002,007,105**	2,107,090,481

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

8 INTEREST INCOME

	Six months ended 30 June	
	2017	2016
Interest income from financial institutions	**540,884,431**	268,343,888
Interest income from margin financing and securities lending	**523,659,825**	129,919,205
Interest income from reverse REPOs	**174,746,521**	56,814,530
Others	**10,591,856**	188,666
Total interest income on financial assets not at fair value through profit or loss	**1,249,882,633**	455,266,289

9 INVESTMENT INCOME

	Six months ended 30 June	
	2017	2016
Net gains from disposal of available-for-sale financial assets	**74,168,548**	2,731,675
Dividend income and interest income from available-for-sale financial assets	**280,548,569**	17,729,666
Net gains/(losses) from financial instruments at fair value through profit or loss	**1,888,218,699**	(2,571,626)
Net (losses)/gains from derivative financial instruments	**(675,269,911)**	588,480,597
Total	**1,567,665,905**	606,370,312

10 OTHER INCOME

	Six months ended 30 June	
	2017	2016
Government grants	**22,918,125**	26,103,709
Tax refunds	**19,337,100**	3,302,420
Others	**5,274,105**	22,675,488
Total	**47,529,330**	52,081,617

The government grants were received by the Company and its subsidiaries from the local government where they reside with no condition attached.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

11 FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2017	2016
Brokerage expenses	**242,582,513**	91,321,418
Underwriting and sponsoring expenses	**23,480,534**	22,095,930
Asset management expenses	**16,261,162**	21,490,266
Investment advisory expenses	**743,414**	–
Total	**283,067,623**	134,907,614

12 INTEREST EXPENSES

	Six months ended 30 June	
	2017	2016
Interest expenses on REPOs	**371,483,391**	211,961,088
Interest expenses on corporate bonds	**263,106,468**	–
Interest expenses on subordinated bonds	**233,697,414**	141,864,361
Interest expenses on other placements from financial institutions	**116,714,304**	61,761,729
Interest expenses of accounts payable to brokerage clients	**89,678,177**	67,382,275
Interest expenses on notes payable	**50,841,511**	34,242,435
Interest expenses on beneficiary certificates	**45,196,790**	36,905,251
Interest expenses on short-term commercial papers issued	**–**	34,425,528
Interest expenses on syndication loans	**–**	23,088,743
Others	**55,419,694**	16,864,219
Total interest expenses on financial liabilities not at fair value through profit or loss	**1,226,137,749**	628,495,629

13 STAFF COSTS

	Six months ended 30 June	
	2017	2016
Salaries, bonus and allowance	**1,843,648,922**	1,033,163,176
Retirement scheme contributions	**84,798,817**	44,465,729
Other social welfare	**84,380,719**	41,894,809
Other benefits	**59,807,167**	30,864,370
Total	**2,072,635,625**	1,150,388,084

The Group is required to participate in pension schemes in the PRC, Hong Kong and other jurisdictions whereby the Group is required to pay annual contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the annual contributions described above.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

14 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2017	2016
Operating lease charges in respect of property and equipment	**199,800,570**	125,679,696
Business development expenses	**164,500,706**	110,821,735
Information technology related expenses	**89,756,123**	53,065,686
Travelling and transportation expenses	**74,573,299**	68,432,825
Professional service fees	**52,185,220**	46,507,330
Foreign exchange losses, net	**49,315,931**	7,089,516
Utilities and maintenance	**24,999,194**	18,980,009
Securities Investor Protection Fund	**21,081,715**	8,990,068
Auditors' remuneration	**2,600,000**	2,000,000
Others	**64,850,854**	35,374,517
Total	**743,663,612**	476,941,382

15 REVERSAL OF IMPAIRMENT LOSSES

	Six months ended 30 June	
	2017	2016
Reversal of impairment losses against accounts receivable and other non-current assets	**(640,227)**	(2,835,087)
Reversal of impairment losses against receivable from margin clients	**(802,096)**	(1,682,904)
(Reversal of)/provision for impairment losses against reverse REPOs	**(844,523)**	4,005,350
Total	**(2,286,846)**	(512,641)

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

16 INCOME TAX EXPENSE

(a) Taxation in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2017	2016
Current tax		
– PRC income tax	**(57,366,995)**	(102,997,890)
– Hong Kong profits tax	**36,607,243**	7,054,934
Subtotal	**(20,759,752)**	(95,942,956)
Deferred tax		
– Origination and reversal of temporary differences	**369,024,402**	260,401,581
Total	**348,264,650**	164,458,625

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

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in Mainland China (for the purpose of this report, Mainland China excludes Hong Kong, Macau and Taiwan) during the period. Taxes on profits assessable outside Mainland China have been calculated at the applicable rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. A reconciliation of income tax expenses calculated by applying the PRC statutory income tax rate to profit before income tax to the income tax expense in the condensed consolidated statement of profit or loss is as follows:

	Six months ended 30 June	
	2017	2016
Profit before income tax	**1,477,307,579**	739,353,194
Income tax calculated at the PRC statutory income tax rate	**369,326,895**	184,838,299
Non-deductible expenses	**13,522,204**	10,390,197
Non-taxable income	**(15,115,411)**	(27,797,951)
Effect of different applicable tax rates of the subsidiaries	**(34,275,053)**	(21,860,703)
Effect of deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized in the period	**21,656,642**	19,322,753
Effect of using the deductible temporary differences or deductible tax losses for which no deferred tax asset was recognized in previous period	**(4,250,112)**	(963,838)
Others	**(2,600,515)**	529,868
Total income tax expense	**348,264,650**	164,458,625

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

17 BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended 30 June	
	2017	2016
Profit attributable to shareholders of the Company and holders of other equity instruments	**1,110,825,787**	574,877,398
Interest for holders of perpetual subordinated bonds for the period	**(28,265,753)**	(28,344,262)
Subtotal	**1,082,560,034**	546,533,136
Weighted average number of ordinary shares in issue	**3,145,899,905**	2,306,669,000
Basic earnings per share (in RMB per share)	**0.34**	0.24

Basic earnings per share was calculated as the profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

There were no dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016, and therefore, diluted earnings per share are the same as the basic earnings per share.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

18 PROPERTY AND EQUIPMENT

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
Cost							
At 1 January 2017	4,294,530	634,432,682	56,231,767	810,588	483,080,566	–	1,178,850,133
Arising from acquisition of a subsidiary	81,697,674	451,815,531	24,927,857	68,197,010	183,438,336	2,535,307	812,611,715
Additions	–	43,868,538	1,730,422	–	11,950,615	417,615	57,967,190
Disposals	–	(21,324,544)	(785,316)	(3,106,538)	(14,504,146)	(866,961)	(40,587,505)
Effect of changes in foreign exchange rate	–	(1,829,205)	(217,771)	(13,323)	(1,129,937)	–	(3,190,236)
At 30 June 2017	85,992,204	1,106,963,002	81,886,959	65,887,737	662,835,434	2,085,961	2,005,651,297
Accumulated depreciation							
At 1 January 2017	(1,241,044)	(486,964,982)	(45,271,794)	(679,269)	(436,195,184)	–	(970,352,273)
Arising from acquisition of a subsidiary	(23,925,905)	(352,010,499)	(18,427,839)	(37,767,082)	(127,163,238)	–	(559,294,563)
Additions	(1,145,477)	(41,956,105)	(2,283,172)	(2,167,710)	(18,860,649)	–	(66,413,113)
Disposals	–	19,941,742	729,448	3,032,899	14,504,146	–	38,208,235
Effect of changes in foreign exchange rate	–	1,726,904	207,445	13,212	1,334,875	–	3,282,436
At 30 June 2017	(26,312,426)	(859,262,940)	(65,045,912)	(37,567,950)	(566,380,050)	–	(1,554,569,278)
Carrying amount							
At 30 June 2017	59,679,778	247,700,062	16,841,047	28,319,787	96,455,384	2,085,961	451,082,019
At 31 December 2016	3,053,486	147,467,700	10,959,973	131,319	46,885,382	–	208,497,860

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(Expressed in RMB, unless otherwise stated)

18 PROPERTY AND EQUIPMENT *(continued)*

	Buildings	Office equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
Cost						
At 1 January 2016	4,294,530	585,294,403	47,850,560	1,366,588	458,001,732	1,096,807,813
Additions	–	88,038,875	8,830,513	–	23,695,615	120,565,003
Disposals	–	(42,800,303)	(750,121)	(556,000)	(1,447,891)	(45,554,315)
Effect of changes in foreign exchange rate	–	3,899,707	300,815	–	2,831,110	7,031,632
At 31 December 2016	4,294,530	634,432,682	56,231,767	810,588	483,080,566	1,178,850,133
Accumulated depreciation						
At 1 January 2016	(868,222)	(471,865,598)	(42,781,533)	(1,028,889)	(413,894,650)	(930,438,892)
Additions	(372,822)	(48,368,021)	(2,836,372)	(150,780)	(19,903,587)	(71,631,582)
Disposals	–	37,084,897	675,511	500,400	1,317,125	39,577,933
Effect of changes in foreign exchange rate	–	(3,816,260)	(329,400)	–	(3,714,072)	(7,859,732)
At 31 December 2016	(1,241,044)	(486,964,982)	(45,271,794)	(679,269)	(436,195,184)	(970,352,273)
Carrying amount						
At 31 December 2016	3,053,486	147,467,700	10,959,973	131,319	46,885,382	208,497,860
At 31 December 2015	3,426,308	113,428,805	5,069,027	337,699	44,107,082	166,368,921

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19 GOODWILL

(a) Changes in goodwill

	Note	At 1 January 2017	Additions	Disposal	At 30 June 2017
Book value					
Arising from acquisition of a subsidiary	(i)	–	1,582,678,646	–	1,582,678,646
Less: Provision for impairment losses		–	–	–	–
Carrying amount		–	1,582,678,646	–	1,582,678,646

(i) Taking 30 June 2016 as the base day, the consideration of the Company's acquisition of the entire equity interest of CISC was based on the valuation report issued by China Enterprise Appraisals Co., Ltd (Valuation report reference number: [2016] No. 1350). The report above was examined and approved by the Ministry of Finance of the PRC (the "MOF") (Approval reference number: Caijin [2016] No. 94). According to the valuation report, the consideration was RMB16,700,695,000 in total. The Company issued 1,678,461,809 domestic shares to Huijin at a price of RMB9.95 per share. The difference between the consideration and the fair value of the net identifiable assets attributable to CICC was RMB1,582,678,646, which was recognized as the goodwill associated with CISC.

(b) Impairment test

At the end of each reporting period, goodwill arising from business combinations is allocated to the Group's cash generating units ("CGU") or groups of CGU for impairment testing. The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. At 30 June 2017, based on the estimated recoverable amount, the goodwill arising from business combinations was not impaired and thus no impairment loss was recognized.

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20 INTANGIBLE ASSETS

	Securities trading seat rights	Others	Total
Cost			
At 1 January 2017	41,268,843	939,535	42,208,378
Arising from acquisition of a subsidiary	122,731,804	195,031,566	317,763,370
Additions	–	11,926,445	11,926,445
Disposal	–	(63,000)	(63,000)
Effect of changes in foreign exchange rate	(19,900)	(48,201)	(68,101)
At 30 June 2017	163,980,747	207,786,345	371,767,092
Accumulated amortization			
At 1 January 2017	(41,153,426)	(483,889)	(41,637,315)
Arising from acquisition of a subsidiary	(36,044,000)	(107,230,049)	(143,274,049)
Additions	(2,906,951)	(5,910,844)	(8,817,795)
Disposal	–	63,000	63,000
Effect of changes in foreign exchange rate	–	29,690	29,690
At 30 June 2017	(80,104,377)	(113,532,092)	(193,636,469)
Carrying amount			
At 30 June 2017	83,876,370	94,254,253	178,130,623
At 31 December 2016	115,417	455,646	571,063

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20 INTANGIBLE ASSETS *(continued)*

	Securities trading seat rights	Others	Total
Cost			
At 1 January 2016	41,268,843	911,170	42,180,013
Effect of changes in foreign exchange rate	–	28,365	28,365
At 31 December 2016	41,268,843	939,535	42,208,378
Accumulated amortization			
At 1 January 2016	(40,295,799)	(473,664)	(40,769,463)
Additions	(857,627)	(10,225)	(867,852)
At 31 December 2016	(41,153,426)	(483,889)	(41,637,315)
Carrying amount			
At 31 December 2016	115,417	455,646	571,063
At 31 December 2015	973,044	437,506	1,410,550

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	At 30 June 2017	At 31 December 2016
At fair value		
– Equity investments	**1,190,827,608**	730,290,776
– Funds and other investments	**63,215,334**	–
Total	**1,254,042,942**	730,290,776
Analyzed into:		
– Listed, outside Hong Kong	**20,325,460**	–
– Unlisted	**1,233,717,482**	730,290,776
Total	**1,254,042,942**	730,290,776

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21 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Current

	At 30 June 2017	At 31 December 2016
At fair value		
– Debt investments	10,702,926,036	–
– Equity investments	83,272,899	302,350,439
– Funds and other investments	519,402,563	10,434,267
Less: Provision for impairment losses	(23,500)	–
Total	11,305,577,998	312,784,706
Analyzed into:		
– Listed, in Hong Kong	1,793,939,784	–
– Listed, outside Hong Kong	8,992,702,442	20,786,207
– Unlisted	518,935,772	291,998,499
Total	11,305,577,998	312,784,706

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS")

(a) Analyzed by collateral type:

Non-current

	At 30 June 2017	At 31 December 2016
Stocks	1,402,725,940	–
Less: Provision for impairment losses	(923,004)	–
Total	1,401,802,936	–

Current

	At 30 June 2017	At 31 December 2016
Stocks	6,977,665,707	3,056,352,061
Debt securities	1,648,909,383	898,498,490
Less: Provision for impairment losses	(13,514,233)	(15,281,760)
Total	8,613,060,857	3,939,568,791

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(Expressed in RMB, unless otherwise stated)

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS ("REVERSE REPOS") *(continued)*

(b) Analyzed by market:

Non-current

	At 30 June 2017	At 31 December 2016
Stock exchanges	1,401,802,936	–

Current

	At 30 June 2017	At 31 December 2016
Stock exchanges	7,670,951,817	3,678,970,520
Inter-bank market	603,816,000	–
Over-the-counter market	338,293,040	260,598,271
Total	8,613,060,857	3,939,568,791

23 REFUNDABLE DEPOSITS

	At 30 June 2017	At 31 December 2016
Self-owned refundable deposits	1,062,761,157	955,943,900
Refundable deposits held on behalf of clients	1,402,530,319	67,665,682
Total	2,465,291,476	1,023,609,582

Refundable deposits are mainly placed at stock exchanges and clearing house, futures and commodity exchanges, China Securities Finance Corporation Limited, Shanghai Clearing House, futures companies and other institutions.

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24 DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets and liabilities recognized

The components of deferred tax assets/(liabilities) recognized in the condensed consolidated statement of financial position and the movement during the period/year are as follows:

	At 1 January 2017	Arising from acquisition of a subsidiary	(Charged)/ credited to profit or loss	Credited/ (charged) to equity	Exchange differences in translation of financial statements of overseas subsidiaries	At 30 June 2017 Deferred tax, net	At 30 June 2017 Deferred tax assets	At 30 June 2017 Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:								
Staff cost	730,454,894	369,532,069	(280,346,897)	–	(187,667)	819,452,399	819,452,399	–
Deductible tax losses	34,301,021	–	3,264,730	–	(1,099,806)	36,465,945	36,465,945	–
Depreciation and amortization	6,321,454	–	(852,394)	–	(153,759)	5,315,301	5,315,301	–
Changes in fair values of financial instruments at fair value through profit or loss	(15,458,855)	45,006,597	(115,329,962)	–	–	(85,782,220)	–	(85,782,220)
Changes in fair values of available-for-sale financial assets	(18,975,370)	(23,480,877)	–	3,667,803	–	(38,788,444)	–	(38,788,444)
Fair value adjustment arising from acquisition of a subsidiary	–	(198,231,250)	2,574,542	–	–	(195,656,708)	–	(195,656,708)
Others	53,246,241	54,814,704	21,665,579	(692,234)	(100,697)	128,933,593	128,933,593	–
Subtotal	789,889,385	247,641,243	(369,024,402)	2,975,569	(1,541,929)	669,939,866	990,167,238	(320,227,372)
Set off							(72,636,744)	72,636,744
Deferred tax assets/(liabilities) on condensed consolidated statement of financial position							917,530,494	(247,590,628)

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(Expressed in RMB, unless otherwise stated)

24 DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(a) Deferred tax assets and liabilities recognized *(continued)*

					At 31 December 2016		
	At 1 January 2016	Credited/ (charged) to profit or loss	Credited to equity	Exchange differences in translation of financial statements of overseas subsidiaries	Deferred tax, net	Deferred tax assets	Deferred tax liabilities
Deferred tax assets/(liabilities) before set-off:							
Staff cost	653,347,219	75,804,092	–	1,303,583	730,454,894	730,454,894	–
Deductible tax losses	40,103,936	(8,269,986)	–	2,467,071	34,301,021	34,301,021	–
Depreciation and amortization	5,969,610	(37,827)	–	389,671	6,321,454	6,321,454	–
Changes in fair values of financial instruments at fair value through profit or loss	(88,990,859)	73,532,004	–	–	(15,458,855)	–	(15,458,855)
Changes in fair values of available-for-sale financial assets	(22,507,968)	–	3,532,598	–	(18,975,370)	–	(18,975,370)
Others	60,717,260	(7,624,859)	–	153,840	53,246,241	53,246,241	–
Subtotal	648,639,198	133,403,424	3,532,598	4,314,165	789,889,385	824,323,610	(34,434,225)
Set off						5,766,029	(5,766,029)
Deferred tax assets/ (liabilities) on condensed consolidated statement of financial position						830,089,639	(40,200,254)

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24 DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

(b) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of deductible temporary differences and cumulative tax losses amounted to RMB415 million and RMB270 million at 30 June 2017 and 31 December 2016, respectively.

Deferred tax assets not recognized in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's cross-border service capabilities.

Deferred tax asset arising from unused tax losses is recognized only to the extent that an entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of year to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilized may not be available in these overseas entities in the foreseeable future, given the current market conditions, and that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

25 ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	At 30 June 2017	At 31 December 2016
Trade receivable	**8,728,614,381**	4,871,670,457
Underwriting and advisory fees receivable	**876,714,048**	1,177,001,142
Asset management fees receivable	**447,342,561**	349,553,354
Trading seat rental fees receivable	**140,345,702**	102,630,660
Others	**163,664,763**	106,770,348
Less: Provision for impairment losses	**(33,277,162)**	(26,335,500)
Total	**10,323,404,293**	6,581,290,461

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(Expressed in RMB, unless otherwise stated)

25 ACCOUNTS RECEIVABLE *(continued)*

(b) Analyzed by aging:

	At 30 June 2017			
	Gross amount		Provision for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	**9,963,605,425**	**96.20%**	**(163,856)**	**0.49%**
1 – 2 years (inclusive)	**125,960,724**	**1.22%**	**(3,599,019)**	**10.82%**
2 – 3 years (inclusive)	**176,080,028**	**1.70%**	**(12,433,502)**	**37.36%**
More than 3 years	**91,035,278**	**0.88%**	**(17,080,785)**	**51.33%**
Total	**10,356,681,455**	**100.00%**	**(33,277,162)**	**100.00%**

	At 31 December 2016			
	Gross amount		Provision for impairment losses	
	Amount	%	Amount	%
Within 1 year (inclusive)	6,251,042,750	94.61%	–	–
1 – 2 years (inclusive)	130,777,384	1.98%	(12,026,200)	45.66%
2 – 3 years (inclusive)	158,773,923	2.40%	(3,621,000)	13.75%
More than 3 years	67,031,904	1.01%	(10,688,300)	40.59%
Total	6,607,625,961	100.00%	(26,335,500)	100.00%

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

	Six months ended 30 June 2017	Year ended 31 December 2016
At the beginning of the period/year	**26,335,500**	18,488,540
Arising from acquisition of a subsidiary	**8,653,451**	–
(Reversal of)/provision for the period/year	**(1,185,869)**	11,602,017
Write-offs for the period/year	**–**	(4,707,071)
Recoveries of accounts receivable previously written off	**–**	18,561
Effect of changes in foreign exchange rate	**(525,920)**	933,453
At the end of the period/year	**33,277,162**	26,335,500

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25 ACCOUNTS RECEIVABLE *(continued)*

(d) Accounts receivable that is not impaired

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

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record of payments with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in the credit quality of these receivables and the balances are still considered fully recoverable.

26 RECEIVABLE FROM MARGIN CLIENTS

(a) Analyzed by nature:

	At 30 June 2017	At 31 December 2016
Individuals	**17,903,051,898**	2,013,018,847
Institutions	**1,270,955,798**	1,058,066,403
Less: Provision for impairment losses	**(24,491,726)**	(25,907,805)
Total	**19,149,515,970**	3,045,177,445

(b) Analyzed by fair value of collaterals:

	Fair value of collaterals	
	At 30 June 2017	At 31 December 2016
Stocks	**66,749,442,727**	12,706,864,393
Cash	**3,031,085,656**	379,275,312
Debt securities	**4,239,013**	48,362,698
Funds	**205,547,345**	–
Total	**69,990,314,741**	13,134,502,403

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(Expressed in RMB, unless otherwise stated)

26 RECEIVABLE FROM MARGIN CLIENTS *(continued)*

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

	Six months ended 30 June 2017	Year ended 31 December 2016
At the beginning of the period/year	**25,907,805**	5,777,853
(Reversal of)/provision for the period/year	**(802,096)**	20,328,808
Write-offs for the period/year	**–**	(261,201)
Effect of changes in foreign exchange rate	**(613,983)**	62,345
At the end of the period/year	**24,491,726**	25,907,805

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analyzed by type:

	At 30 June 2017		
	Financial assets held for trading	**Financial assets designated as at fair value through profit or loss**	**Total**
Equity investments	**11,730,278,296**	**14,241,471,936**	**25,971,750,232**
Debt investments	**28,135,426,299**	**20,046,906**	**28,155,473,205**
Funds and other investments	**6,533,806,730**	**9,028,106,939**	**15,561,913,669**
Total	**46,399,511,325**	**23,289,625,781**	**69,689,137,106**

	At 31 December 2016		
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Total
Equity investments	8,655,836,818	12,248,488,320	20,904,325,138
Debt investments	20,643,012,947	–	20,643,012,947
Funds and other investments	3,162,444,175	10,445,059,430	13,607,503,605
Total	32,461,293,940	22,693,547,750	55,154,841,690

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

(b) Analyzed by listing status:

Financial assets held for trading:

	At 30 June 2017	At 31 December 2016
Listed		
– In Hong Kong	**155,624,484**	67,794,789
– Outside Hong Kong	**41,033,703,220**	25,033,627,843
Unlisted	**5,210,183,621**	7,359,871,308
Total	**46,399,511,325**	32,461,293,940

Financial assets designated as at fair value through profit or loss:

	At 30 June 2017	At 31 December 2016
Listed		
– In Hong Kong	**1,330,990,220**	1,080,725,882
– Outside Hong Kong	**12,746,789,634**	11,041,662,866
Unlisted	**9,211,845,927**	10,571,159,002
Total	**23,289,625,781**	22,693,547,750

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28 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	At 30 June 2017		
	Notional amount	Fair value Assets	Fair value Liabilities
Hedging instruments (a)			
– Interest rate contracts	**6,000,000,000**	**23,277,190**	**(20,044,637)**
Non-Hedging instruments			
– Interest rate contracts	**94,654,406,995**	**331,796,481**	**(462,290,098)**
– Currency contracts	**6,386,738,305**	**26,902,075**	**(30,660,511)**
– Equity contracts	**44,996,028,629**	**1,548,504,906**	**(1,497,040,137)**
– Credit contracts	**1,695,976,897**	**9,907,326**	**(25,577,249)**
– Other contracts	**15,062,675,342**	**361,050,418**	**(321,240,592)**
Total	**168,795,826,168**	**2,301,438,396**	**(2,356,853,224)**
Less: Settlement		**(73,548,761)**	**1,325,655**
Net position		**2,227,889,635**	**(2,355,527,569)**

	At 31 December 2016		
	Notional amount	Fair value Assets	Fair value Liabilities
Non-Hedging instruments			
– Interest rate contracts	152,299,321,494	461,613,648	(528,091,611)
– Currency contracts	8,936,208,038	141,751,336	(135,767,618)
– Equity contracts	32,183,452,492	799,394,616	(703,445,622)
– Credit contracts	1,614,679,684	13,781,114	(15,875,848)
– Other contracts	14,482,631,498	307,035,150	(301,050,998)
Total	209,516,293,206	1,723,575,864	(1,684,231,697)
Less: Settlement		(1,569,340)	7,800,627
Net position		1,722,006,524	(1,676,431,070)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures in Mainland China are settled daily and the corresponding receipts and payments are reflected in "deposits with clearing houses". Accordingly, the Group did not hold any net position of those futures contracts at 30 June 2017 and 31 December 2016.

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28 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) *(continued)*

(a) Hedging instruments

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liability due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest rate risk of long-term debt securities issued.

The effectiveness of hedges based on changes in fair value of the derivatives and the profit or loss of the hedged items attributable to the hedged risk during the period is presented as follows:

	Six months ended 30 June	
	2017	2016
Gains arising from fair value hedges, net:		
– Interest rate contracts	**6,720,333**	–
– Hedged items attributable to the hedged risk	**(4,229,109)**	–
Total	**2,491,224**	–

29 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

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

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30 CASH AND BANK BALANCES

	At 30 June 2017	At 31 December 2016
Cash on hand	**703,380**	214,170
Deposits with banks	**17,687,240,607**	8,563,759,155
Deposits with clearing houses	**3,604,599,670**	1,940,615,780
Total	**21,292,543,657**	10,504,589,105

31 CASH AND CASH EQUIVALENTS

	At 30 June 2017	At 31 December 2016
Cash on hand	**703,380**	214,170
Deposits with banks	**17,687,240,607**	8,563,759,155
Deposits with clearing houses	**3,604,599,670**	1,940,615,780
Less: Restricted bank deposits	**(487,376,341)**	(605,746,541)
Total	**20,805,167,316**	9,898,842,564

The restricted bank deposits mainly include the risk reserve deposits held for asset management business and temporary deposits held on behalf of non-brokerage clients.

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32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2017		
	Financial liabilities held for trading	**Financial liabilities designated as at fair value through profit or loss**	**Total**
Equity investments	**1,467**	**8,978,232,060**	**8,978,233,527**
Debt investments	**1,015,712,512**	**–**	**1,015,712,512**
Funds and other investments	**10,017,884**	**–**	**10,017,884**
Total	**1,025,731,863**	**8,978,232,060**	**10,003,963,923**

	At 31 December 2016		
	Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss	Total
Equity investments	9,236,164	7,615,908,270	7,625,144,434
Debt investments	2,117,463,083	–	2,117,463,083
Total	2,126,699,247	7,615,908,270	9,742,607,517

33 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	At 30 June 2017	At 31 December 2016
Clients' deposits for brokerage trading	**50,229,035,765**	17,072,589,456
Clients' deposits for margin financing and securities lending	**3,234,003,357**	319,770,996
Total	**53,463,039,122**	17,392,360,452

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

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

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34 PLACEMENTS FROM FINANCIAL INSTITUTIONS

(a) Analyzed by funding source:

	At 30 June 2017	At 31 December 2016
Placements from banks	**3,481,148,600**	1,928,516,500
Placements from China Securities Finance Corporation Limited	**–**	1,600,000,000
Others	**150,000,000**	–
Total	**3,631,148,600**	3,528,516,500

(b) Analyzed by residual maturity:

	At 30 June 2017		At 31 December 2016	
	Book value	Range of interest rate	Book value	Range of interest rate
Within 1 month (inclusive)	**661,809,600**	**1.00% – 5.50%**	342,286,500	1.00% – 3.00%
1 – 3 months (inclusive)	**–**	**–**	2,178,740,000	2.00% – 5.00%
3 months – 1 year (inclusive)	**2,969,339,000**	**2.00% – 5.00%**	1,007,490,000	3.00% – 5.00%
Total	**3,631,148,600**		3,528,516,500	

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35 SHORT-TERM DEBT SECURITIES ISSUED

The Group has issued beneficiary certificates bearing nominal interest ranging from 0.00% to 8.50% per annum or floating rate. The floating interest rate is calculated based on Shanghai & Shenzhen 300 index, China Securities Index 500, gold price or price of futures of various underlying assets.

Name of beneficiary certificates	Book value at 1 Jan 2017	Arising from acquisition of a subsidiary	Issuance	Redemption	Book value at 30 Jun 2017
CICC Caifuzijin Series	459,651,000	–	2,353,666,000	(2,315,918,000)	497,399,000
CICC Index B Series	1,300,000	–	138,400,000	(10,000,000)	129,700,000
CICC Index A Series	–	–	622,347,000	(500,798,000)	121,549,000
CICC Tongxin Series	104,515,000	–	107,000,000	(94,515,000)	117,000,000
CICC Shangpin A Series	46,167,000	–	27,230,000	(68,757,000)	4,640,000
CICC Jinyintong Series	2,000,000,000	–	1,000,000,000	(3,000,000,000)	–
CICC Tongde Series	37,000,000	–	–	(37,000,000)	–
CICC Shangpin B Series	960,509	–	3,000,000	(3,960,509)	–
CICC Duozichan Series	–	–	3,117,000	(3,117,000)	–
CISC Nongyin No.1	–	500,000,000	–	–	500,000,000
CISC Jinhui No.46	–	300,000,000	–	–	300,000,000
CISC Zhuanxiang Series	–	–	23,800,000	(23,800,000)	–
Total	2,649,593,509	800,000,000	4,278,560,000	(6,057,865,509)	1,670,288,000

Name of beneficiary certificates	Book value at 1 Jan 2016	Issuance	Redemption	Book value at 31 Dec 2016
CICC Jinyintong Series	1,150,000,000	9,700,000,000	(8,850,000,000)	2,000,000,000
CICC Caifuzijin Series	–	1,104,151,000	(644,500,000)	459,651,000
CICC Tongxin Series	–	281,715,000	(177,200,000)	104,515,000
CICC Shangpin A Series	–	752,032,000	(705,865,000)	46,167,000
CICC Tongde Series	–	37,000,000	–	37,000,000
CICC Index B Series	–	4,200,000	(2,900,000)	1,300,000
CICC Shangpin B Series	–	2,772,056	(1,811,547)	960,509
CICC Tianxinbao Series	550,000,000	–	(550,000,000)	–
Total	1,700,000,000	11,881,870,056	(10,932,276,547)	2,649,593,509

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36 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS ("REPOs")

(a) Analyzed by collateral type:

	At 30 June 2017	At 31 December 2016
Debt securities	**22,766,629,825**	4,862,723,146
Others	**6,833,143,953**	615,744,609
Total	**29,599,773,778**	5,478,467,755

(b) Analyzed by market:

	At 30 June 2017	At 31 December 2016
Stock exchanges	**13,753,574,000**	1,654,033,000
Inter-bank market	**8,635,184,167**	3,022,272,792
Over-the-counter market	**7,211,015,611**	802,161,963
Total	**29,599,773,778**	5,478,467,755

37 LONG-TERM DEBT SECURITIES ISSUED

	Note	At 30 June 2017	At 31 December 2016
Due within one year			
– Beneficiary certificates	(a)	**206,408,767**	–
Due after one year			
– Beneficiary certificates	(a)	**1,524,435,616**	–
– Subordinated bonds	(b)	**13,100,000,000**	7,500,000,000
– Corporate bonds	(c)	**17,500,079,745**	8,000,000,000
– Notes payable	(d)	**3,371,617,207**	3,448,469,092
Subtotal		**35,496,132,568**	18,948,469,092
Total		**35,702,541,335**	18,948,469,092
Fair value		**35,785,937,009**	19,362,628,466

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37 LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(a) Beneficiary certificates:

The Group has also issued beneficiary certificates bearing nominal interest ranging from 3.44% to 4.70% per annum, with maturities over one year.

Name of beneficiary certificates	Book value at 1 January 2017	Arising from acquisition of a subsidiary	Issuance	Redemption	Accrued Interest	Book value at 30 June 2017
CISC Jinhui No.47	–	511,272,603	–	–	4,861,644	516,134,247
CISC Nong Yin No.3	–	–	500,000,000	–	4,249,314	504,249,314
CISC Nong Yin No.2	–	–	500,000,000	–	4,052,055	504,052,055
CISC Jinhui No.45	–	204,693,479	–	–	1,715,288	206,408,767
Total	–	715,966,082	1,000,000,000	–	14,878,301	1,730,844,383

(b) Subordinated bonds:

Name	Issuance date	Maturity date	Nominal interest rate	Book value at 1 January 2017	Arising from acquisition of a subsidiary	Issuance	Redemption	Amortization and effect of changes in foreign exchange rate	Book value at 30 June 2017
15 CICC C1 (i)	29/05/2015	29/05/2021	1st – 3rd years 5.25% 4th – 6th years 8.25%	2,000,000,000	–	–	–	–	2,000,000,000
16 CICC C1 (ii)	21/07/2016	21/07/2021	1st – 2nd years 3.25% 3rd – 5th years 6.25%	2,000,000,000	–	–	–	–	2,000,000,000
16 CICC C2 (iii)	15/12/2016	15/12/2021	4.60%	3,400,000,000	–	–	–	–	3,400,000,000
16 CICC Futures (iv)	16/12/2016	16/12/2024	1st – 5th years 5.00% 6th – 8th years 8.00%	100,000,000	–	–	–	–	100,000,000
17 CICC C1 (v)	22/05/2017	22/05/2022	5.39%	–	–	600,000,000	–	–	600,000,000
16 CISC 01 (vi)	07/12/2016	07/12/2019	4.00%	–	2,200,000,000	–	–	–	2,200,000,000
17 CISC 01 (vii)	23/02/2017	23/02/2020	4.85%	–	1,000,000,000	–	–	–	1,000,000,000
17 CISC 02 (viii)	23/02/2017	23/02/2022	5.00%	–	1,800,000,000	–	–	–	1,800,000,000
Total				7,500,000,000	5,000,000,000	600,000,000	–	–	13,100,000,000

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(Expressed in RMB, unless otherwise stated)

37 LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(b) Subordinated bonds: *(continued)*

Name	Issuance date	Maturity date	Nominal interest rate	Book value at 1 January 2016	Issuance	Redemption	Amortization and effect of changes in foreign exchange rate	Book value at 31 December 2016
13 CICC bonds	25/07/2013	25/07/2019	1st – 3rd years 6.00% 4th – 6th years 9.00%	3,000,000,000	–	(3,000,000,000)	–	–
15 CICC C1 (i)	29/05/2015	29/05/2021	1st – 3rd years 5.25% 4th – 6th years 8.25%	2,000,000,000	–	–	–	2,000,000,000
16 CICC C1 (ii)	21/07/2016	21/07/2021	1st – 2nd years 3.25% 3rd – 5th years 6.25%	–	2,000,000,000	–	–	2,000,000,000
16 CICC C2 (iii)	15/12/2016	15/12/2021	4.60%	–	3,400,000,000	–	–	3,400,000,000
16 CICC Futures (iv)	16/12/2016	16/12/2024	1st – 5th years 5.00% 6th – 8th years 8.00%	–	100,000,000	–	–	100,000,000
Total				5,000,000,000	5,500,000,000	(3,000,000,000)	–	7,500,000,000

(i) The Company issued subordinated bonds with a principal amount of RMB2 billion on 29 May 2015 and a maturity date of 29 May 2021. Interests of the subordinated bonds are paid annually. The Company has an option to redeem the bonds on 29 May 2018.

(ii) The Company issued subordinated bonds with a principal amount of RMB2 billion on 21 July 2016 and a maturity date of 21 July 2021. Interests of the subordinated bonds are paid annually. The Company has an option to redeem the bonds on 21 July 2018.

(iii) The Company issued subordinated bonds with a principal amount of RMB3.4 billion on 15 December 2016 and a maturity date of 15 December 2021. Interests of the subordinated bonds are paid annually.

(iv) CICC Futures Co., Ltd. ("CICC Futures") issued subordinated bonds with a principal amount of RMB0.1 billion on 16 December 2016 and a maturity date of 16 December 2024. Interests of the subordinated bonds are paid annually. CICC Futures has an option to redeem the bonds on 16 December 2021.

(v) The Company issued subordinated bonds with a principal amount of RMB0.6 billion on 22 May 2017 and a maturity date of 22 May 2022. Interests of the subordinated bonds are paid annually.

(vi) CISC issued subordinated bonds with a principal amount of RMB2.2 billion on 7 December 2016 and a maturity date of 7 December 2019. Interests of the subordinated bonds are paid annually.

(vii) CISC issued subordinated bonds with a principal amount of RMB1 billion on 23 February 2017 and a maturity date of 23 February 2020. Interests of the subordinated bonds are paid annually.

(viii) CISC issued subordinated bonds with a principal amount of RMB1.8 billion on 23 February 2017 and a maturity date of 23 February 2022. Interests of the subordinated bonds are paid annually.

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(Expressed in RMB, unless otherwise stated)

37 LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds:

Name	Issuance date	Maturity date	Nominal interest rate	Book value at 1 January 2017	Arising from acquisition of a subsidiary	Issuance	Redemption	Amortization and effect of changes in foreign exchange rate	Book value at 30 June 2017
16 CICC 01 (i)	18/07/2016	18/07/2021	2.99%	3,000,000,000	–	–	–	–	3,000,000,000
16 CICC 02 (ii)	18/07/2016	18/07/2023	3.29%	1,000,000,000	–	–	–	–	1,000,000,000
16 CICC 03 (iii)	27/10/2016	27/10/2021	2.95%	1,100,000,000	–	–	–	–	1,100,000,000
16 CICC 04 (iv)	27/10/2016	27/10/2023	3.13%	900,000,000	–	–	–	–	900,000,000
16 CICC 05 (v)	26/12/2016	26/12/2019	4.50%	2,000,000,000	–	–	–	–	2,000,000,000
17 CICC 01 (vi)	20/01/2017	20/01/2020	4.35%	–	–	4,000,000,000	–	(15,514,515)	3,984,485,485
17 CICC 02 (vii)	08/05/2017	08/05/2020	4.97%	–	–	1,000,000,000	–	7,428,715	1,007,428,715
17 CICC 03 (viii)	08/05/2017	08/05/2022	5.19%	–	–	1,000,000,000	–	12,314,909	1,012,314,909
15 CISC G1 (ix)	24/07/2015	24/07/2018	3.62%	–	3,494,901,054	–	–	949,582	3,495,850,636
Total				8,000,000,000	3,494,901,054	6,000,000,000	–	5,178,691	17,500,079,745

Name	Issuance date	Maturity date	Nominal interest rate	Book value at 1 January 2016	Issuance	Redemption	Amortization and effect of changes in foreign exchange rate	Book value at 31 December 2016
16 CICC 01 (i)	18/07/2016	18/07/2021	2.99%	–	3,000,000,000	–	–	3,000,000,000
16 CICC 02 (ii)	18/07/2016	18/07/2023	3.29%	–	1,000,000,000	–	–	1,000,000,000
16 CICC 03 (iii)	27/10/2016	27/10/2021	2.95%	–	1,100,000,000	–	–	1,100,000,000
16 CICC 04 (iv)	27/10/2016	27/10/2023	3.13%	–	900,000,000	–	–	900,000,000
16 CICC 05 (v)	26/12/2016	26/12/2019	4.50%	–	2,000,000,000	–	–	2,000,000,000
Total				–	8,000,000,000	–	–	8,000,000,000

(i) The Company issued corporate bonds with a principal amount of RMB3 billion on 18 July 2016 and a maturity date of 18 July 2021. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 18 July 2019. If the early-redemption option is not exercised at the end of the third year, the Company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(ii) The Company issued corporate bonds with a principal amount of RMB1 billion on 18 July 2016 and a maturity date of 18 July 2023. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 18 July 2021. If the early-redemption option is not exercised at the end of the fifth year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(iii) The Company issued corporate bonds with a principal amount of RMB1.1 billion on 27 October 2016 and a maturity date of 27 October 2021. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 27 October 2019. If the early-redemption option is not exercised at the end of the third year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

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(Expressed in RMB, unless otherwise stated)

37 LONG-TERM DEBT SECURITIES ISSUED *(continued)*

(c) Corporate bonds: *(continued)*

(iv) The Company issued corporate bonds with a principal amount of RMB0.9 billion on 27 October 2016 and a maturity date of 27 October 2023. Interests of the corporate bonds are paid annually. The Company has an option to redeem the bonds on 27 October 2021. If the early-redemption option is not exercised at the end of the fifth year, the company has an option to increase the coupon rate and an obligation to redeem the bonds if required by the investors.

(v) The Company issued corporate bonds with a principal amount of RMB2 billion on 26 December 2016 and a maturity date of 26 December 2019. Interests of the corporate bonds are paid annually.

(vi) The Company issued corporate bonds with a principal amount of RMB4 billion on 20 January 2017 and a maturity date of 20 January 2020. Interests of the corporate bonds are paid annually.

(vii) The Company issued corporate bonds with a principal amount of RMB1 billion on 8 May 2017 and a maturity date of 8 May 2020. Interests of the corporate bonds are paid annually.

(viii) The Company issued corporate bonds with a principal amount of RMB1 billion on 8 May 2017 and a maturity date of 8 May 2022. Interests of the corporate bonds are paid annually.

(ix) CISC issued corporate bonds with a principal amount of RMB3.5 billion on 24 July 2015 and a maturity date of 24 July 2018. Interests of the corporate bonds are paid annually.

(d) Notes payable:

Name	Issuance date	Maturity date	Nominal interest rate	Book value at 1 January 2017	Issuance	Redemption	Amortization and foreign exchange gains or losses	Book value at 30 June 2017
Medium-term notes (i)	18/05/2016	18/05/2019	2.75%	3,448,469,092	–	–	(76,851,885)	3,371,617,207

Name	Issuance date	Maturity date	Nominal interest rate	Book value at 1 January 2016	Issuance	Redemption	Amortization and foreign exchange gains or losses	Book value at 31 December 2016
USD notes	28/04/2011	28/04/2021	6.38%	1,071,444,000	–	(1,071,444,000)	–	–
Medium-term notes (i)	18/05/2016	18/05/2019	2.75%	–	3,315,600,000	–	132,869,092	3,448,469,092
Total				1,071,444,000	3,315,600,000	(1,071,444,000)	132,869,092	3,448,469,092

(i) CICC Hong Kong Finance 2016 MTN Limited issued the medium-term notes with a principal amount of USD500 million on 18 May 2016 and a maturity date of 18 May 2019. Interests of the notes are paid semi-annually.

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38 DIVIDENDS PAYABLE

	At 30 June 2017	At 31 December 2016
Transition period profit payable to Huijin (Note)	**736,164,495**	–
Dividends payable to shareholders of the Company	**637,620,929**	–
Total	**1,373,785,424**	–

Note: According to the equity transfer agreement between Huijin and the Company, the profit of CISC attributable to Huijin during the transition period (from 1 July 2016 to 31 March 2017) will be distributed as a special dividend.

39 OTHER CURRENT LIABILITIES

	At 30 June 2017	At 31 December 2016
Trade payable	**19,291,302,824**	16,737,957,957
Payables to the investors of consolidated structured entities	**3,696,689,592**	205,870,690
Interests payable	**809,710,296**	285,042,611
Accrued expenses	**418,711,369**	353,810,382
Sundry tax payable	**345,117,825**	1,596,974,622
Others	**1,235,578,125**	725,845,879
Total	**25,797,110,031**	19,905,502,141

40 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability. After the conversion, the Company issued 1,667,473,000 domestic shares with par value of RMB1 each.

On 9 November 2015, the Company issued 555,824,000 H-share with a par value of RMB1 at an offering price of HKD10.28 per share. On 18 November 2015, the Company exercised the over-allotment option and issued 83,372,000 H shares with a par value of RMB1 at an offering price of HKD10.28 per share.

Pursuant to the completion of acquisition of 100% equity interests in CISC, the Company issued 1,678,461,809 consideration shares at a price of RMB9.95 per share to Huijin during the reporting period. Accordingly, the registered capital of the Company has been increased to RMB3,985,130,809 and the total number of shares of the Company has been increased to 3,985,130,809 shares, which was divided into 2,464,953,440 domestic shares and 1,520,177,369 H shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

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(Expressed in RMB, unless otherwise stated)

40 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Reserves

(i) Capital reserve

	At 30 June 2017	At 31 December 2016
Share premium (Note)	**22,674,410,544**	7,680,642,418
Others	**46,734,828**	25,025,907
Total	**22,721,145,372**	7,705,668,325

Note: The premium arising from the Company's H-share offering and the issuance of shares for acquisition (see Note 40(a)) was recorded in share premium.

(ii) Surplus reserve

The surplus reserve represents statutory surplus reserve. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF after offsetting prior year's accumulated losses, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus 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 capitalization is not less than 25% of the registered capital immediately before the capitalization.

The Company makes the appropriation of surplus reserve at the end of each year.

(iii) General reserves

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Caijin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

The Company makes the appropriation of general reserves at the end of each year.

General reserves for the Company's subsidiaries are appropriated if relevant requirements are in place.

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(Expressed in RMB, unless otherwise stated)

40 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Reserves *(continued)*

(iv) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net changes in fair values of available-for-sale financial assets held at the end of reporting period.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

(c) Dividends

With the approval of its Annual General Meeting of Shareholders on 12 June 2017, the Company announced the payment of cash dividend for its 2016 profit distribution. The amount of cash dividend distribution was RMB637,620,929 (or RMB1.60 every 10 shares, tax inclusive).

41 OTHER EQUITY INSTRUMENTS

The Company issued its 2015 perpetual subordinated bonds with a total principal amount of RMB1 billion on 29 May 2015. The interest rate of the perpetual subordinated bonds resets every 5 years thereafter based on a benchmark rate and a predetermined spread.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

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(Expressed in RMB, unless otherwise stated)

42 COMMITMENTS

(a) Capital commitments

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

	At 30 June 2017	At 31 December 2016
Contracted, but not provided for	**1,406,347,909**	1,300,534,042

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017	At 31 December 2016
Within 1 year (inclusive)	**502,941,863**	257,638,939
1 – 2 years (inclusive)	**430,364,795**	252,494,773
2 – 3 years (inclusive)	**224,338,433**	168,040,541
More than 3 years	**473,969,603**	303,385,046
Total	**1,631,614,694**	981,559,299

(c) Underwriting commitments

According to the relevant tendering documents, the underwriting commitments taken but not provided for at 30 June 2017 was RMB3,193 million for the Group (31 December 2016: RMB650 million).

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(Expressed in RMB, unless otherwise stated)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Largest shareholder of the Company – Huijin

Pursuant to the completion of acquisition of 100% equity interests in CISC, the Company issued 1,678,461,809 consideration shares to Huijin. Accordingly, at 30 June 2017, Huijin directly or indirectly owned 58.65% of the equity interest of the Company (31 December 2016: 28.57%).

(i) Related party transactions with the largest shareholder and its related parties

	Six months ended 30 June	
	2017	2016
Brokerage commission income	**6,490,971**	894,233
Underwriting and sponsoring fees	**9,583,941**	266,099
Asset management fees	**17,658,216**	9,935,337
Interest income	**186,857,835**	67,911,421
Net gains from financial instruments at fair value through profit or loss	**29,122,775**	119,082,773
Other income	**282,816**	–
Brokerage expenses	**11,929,004**	–
Interest expenses	**95,722,902**	39,445,924

(ii) The balances of transactions with the largest shareholder and its related parties

	At 30 June 2017	At 31 December 2016
Accounts receivable	**56,766,222**	38,629,655
Financial assets at fair value through profit or loss	**2,060,469,104**	1,128,887,205
Cash and bank balances (Note)	**29,097,541,064**	5,323,204,901
Financial liabilities at fair value through profit or loss	**486,145,210**	644,751,524
Accounts payable to brokerage clients	**106,670,933**	8,929,089
Placements from financial institutions	**2,969,339,000**	1,586,230,000
Short-term debt securities issued	**–**	24,167,000
REPOs	**3,051,031,452**	179,825,096
Long-term debt securities issued	**3,418,000,000**	3,543,800,000
Transition period profit payable to Huijin	**736,164,495**	–
Other current liabilities	**46,517,977**	9,618,630
Entrusted funds	**15,446,976,676**	13,134,242,674

Note: The cash and bank balances deposited with the largest shareholder and its related parties includes self-owned cash and bank balances and cash held on behalf of brokerage clients.

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(Expressed in RMB, unless otherwise stated)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors, is as follows:

	Six months ended 30 June	
	2017	2016
Salaries, allowances and benefits in kind	**14,549,224**	14,586,502
Discretionary bonuses (Note)	**–**	–
Retirement scheme contributions	**421,037**	183,821
Total	**14,970,261**	14,770,323

Note: The discretionary bonuses of the Group's management personnel for the six months ended 30 June 2017 have not yet been finalized.

(c) Related party transactions with other shareholders

(i) Related party transactions with other shareholders and their related parties

	Six months ended 30 June	
	2017	2016
Brokerage commission income	**160,418**	137,131
Interest expenses	**38,580**	16,646

(ii) The balances of transactions with other shareholders and their related parties

	At 30 June 2017	At 31 December 2016
Accounts payable to brokerage clients	84,587	17,268,760

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(Expressed in RMB, unless otherwise stated)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Related party transactions with the Group's associates and joint ventures

(i) Related party transactions with associates and joint ventures and their related parties

	Six months ended 30 June	
	2017	2016
Brokerage commission income	**819,069**	–
Investment advisory fees	**1,747,573**	9,702,070
Interest income	**–**	14,301
Asset management expenses	**3,185,985**	–
Other operating expenses	**1,886,792**	–

(ii) The balances of transactions with associates and joint ventures and their related parties

	At 30 June 2017	At 31 December 2016
Accounts receivable	**3,140,384**	–
Other current liabilities	**5,350,378**	5,869,378

44 SEGMENT REPORTING

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. An operating segment is a component of the Group:

– that engages in business activities from which it may earn revenues and incur expenses;

– whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and

– for which financial statements regarding financial position, results of operations and cash flows are available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

– the nature of services;

– the type or class of customers for the services;

– the methods used to provide the services; and

– the nature of the regulatory environment.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

44 SEGMENT REPORTING *(continued)*

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments. A summary of the operating segments is as follows:

– The Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services as well as the National Equities Exchange and Quotations ("NEEQ") services, to clients in the PRC and overseas.

– The Equities segment provides a wide range of equity sales and trading services, including brokerage services and capital-based intermediary services, to institutional investors, including financial institutions, corporations and governmental entities.

– The FICC segment engages in trading of financial products, including fixed-income, equities, currencies and commodities products, using the Group's own capital, as well as for clients facilitation purposes. It also provides product structuring, fixed income distribution and futures brokerage services.

– The Wealth Management segment provides a wide range of wealth management products and services, consisting of advisory services, transactional services, capital-based intermediary services and product services, to high-net-worth individuals, family offices and corporate clients.

– The Investment Management segment designs and provides a wide range of asset management products and services for domestic and overseas investors. It also manages mutual funds, private equity funds as well as funds of funds.

– The Company acquired 100% equity interests in CISC in March 2017 (see Note 47). As of 30 June 2017, the restructuring and integration work are still in progress. Thus, CISC is currently managed and presented as a separate segment.

  The CISC segment principally engages in securities brokerage, investment consulting, financial advisory, securities underwriting and sponsorship, securities proprietary trading, asset management, margin financing and securities lending, distribution of financial products and other business activities as approved by the CSRC.

– The Others segment mainly comprises of other business departments and back offices.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

44 SEGMENT REPORTING *(continued)*

(a) Segment results

	Six months ended 30 June 2017							
	Investment banking	Equities	FICC	Wealth management	Investment management	CISC	Others	Total
Segment revenue								
– Fee and commission income	686,520,881	668,731,887	91,788,075	282,843,571	659,184,620	612,737,022	201,049	3,002,007,105
– Interest income	89,422	190,628,861	70,534,915	243,263,320	9,526,125	648,369,981	87,470,009	1,249,882,633
– Investment income	39,413,412	488,971,084	546,008,533	222,987,286	218,440,474	18,932,347	32,912,769	1,567,665,905
– Other income	–	269,511	14,389,047	13,797,062	9,068,106	6,398,016	3,607,588	47,529,330
Segment revenue and other income	726,023,715	1,348,601,343	722,720,570	762,891,239	896,219,325	1,286,437,366	124,191,415	5,867,084,973
Segment expenses	(633,344,672)	(504,536,657)	(698,166,341)	(514,011,636)	(487,618,546)	(1,028,980,165)	(562,561,043)	(4,429,219,060)
Segment operating profit/(loss)	92,679,043	844,064,686	24,554,229	248,879,603	408,600,779	257,457,201	(438,369,628)	1,437,865,913
Share of (losses)/profits of associates and joint ventures	–	–	–	(4,466)	29,276,743	(599,521)	10,768,910	39,441,666
Profit/(loss) before income tax	92,679,043	844,064,686	24,554,229	248,875,137	437,877,522	256,857,680	(427,600,718)	1,477,307,579
Interest expenses (Note)	(8,643,375)	(144,945,966)	(555,307,758)	(244,330,900)	(26,740,743)	(311,494,616)	65,325,609	(1,226,137,749)
Depreciation and amortization expenses	(2,607,668)	(2,601,900)	(2,653,569)	(8,577,150)	(6,728,829)	(40,358,838)	(21,730,377)	(85,258,331)
Reversal of/(provision for) impairment losses	1,032,560	(30,658)	–	1,677,277	–	(392,333)	–	2,286,846

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

44 SEGMENT REPORTING *(continued)*

(a) Segment results *(continued)*

	Six months ended 30 June 2016						
	Investment banking	Equities	FICC	Wealth management	Investment management	Others	Total
Segment revenue							
– Fee and commission income	701,798,609	628,069,640	171,833,187	294,533,701	310,515,161	340,183	2,107,090,481
– Interest income	866,870	126,064,794	50,353,653	214,628,905	7,318,879	56,033,188	455,266,289
– Investment income	13,390,837	172,679,796	361,051,737	8,296,083	15,202,233	35,749,626	606,370,312
– Other income	14,084,841	4,594,064	11,274,072	4,796,201	255,398	17,077,041	52,081,617
Segment revenue and other income	730,141,157	931,408,294	594,512,649	522,254,890	333,291,671	109,200,038	3,220,808,699
Segment expenses	(560,822,955)	(397,039,307)	(556,704,790)	(403,297,187)	(338,124,006)	(251,200,913)	(2,507,189,158)
Segment operating profit/(loss)	169,318,202	534,368,987	37,807,859	118,957,703	(4,832,335)	(142,000,875)	713,619,541
Share of profits of associates and joint ventures	–	–	–	–	21,242,091	4,491,562	25,733,653
Profit/(loss) before income tax	169,318,202	534,368,987	37,807,859	118,957,703	16,409,756	(137,509,313)	739,353,194
Interest expenses (Note)	(23,086,654)	(58,109,022)	(366,765,124)	(128,958,185)	(73,882,402)	22,305,758	(628,495,629)
Depreciation and amortization expenses	(1,514,993)	(3,314,045)	(2,739,999)	(7,622,325)	(3,991,622)	(12,753,494)	(31,936,478)
Reversal of/(provision for) impairment losses	2,835,087	173,809	–	(2,496,255)	–	–	512,641

Note: The Group allocates interest expenses across the reportable segments according to the capital used during the reporting periods for the purpose of measuring segment operating performance and improving the efficiencies of capital management.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

44 SEGMENT REPORTING *(continued)*

(b) Geographical information

The following table sets out the Group's operating income from external clients and the Group's non-current assets (excluding available-for-sale financial assets, deferred tax assets, same as below) in terms of geographical locations. The geographical locations of the operating income from external clients are identified based on the locations of the clients to whom the services are rendered. The geographical locations of the non-current assets are identified based on the locations where the fixed assets are located or the intangible assets are allocated or the associates and joint ventures operate.

	Revenues and other income from external customers Six months ended 30 June	
	2017	2016
Mainland China	**4,817,032,721**	2,596,271,069
Overseas	**1,050,052,252**	624,537,630
Total	**5,867,084,973**	3,220,808,699

	Non-current assets	
	At 30 June 2017	At 31 December 2016
Mainland China	**8,077,051,252**	1,595,326,553
Overseas	**309,252,183**	257,954,710
Total	**8,386,303,435**	1,853,281,263

Reconciliation of segment non-current assets:

	Non-current assets	
	At 30 June 2017	At 31 December 2016
Total non-current assets for segments	**27,664,108,021**	4,420,390,849
Elimination of inter-segment non-current assets	**(19,277,804,586)**	(2,567,109,586)
Total	**8,386,303,435**	1,853,281,263

(c) Major clients

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

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45 FAIR VALUE INFORMATION

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

(i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or short-term financing. Accordingly, their carrying amounts approximate the fair values.

(ii) Financial instruments at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active markets, the Group uses market prices as the best estimate for their fair values. For the financial instruments without any market price, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flows or other valuation techniques.

(iii) The fair values of short-term and long-term debt securities issued 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 similar credit risk and maturity, to estimate the fair values using discounted cash flows or other valuation techniques. The fair values of long-term debt securities issued are disclosed in Note 37. The carrying amounts of short-term debt securities issued approximate to their fair values.

(iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate the fair values.

(a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level II valuations: Fair value measured using Level II inputs i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level III valuations: Fair value measured using significant unobservable inputs.

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(Expressed in RMB, unless otherwise stated)

45 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

The table below analyzes financial instruments measured at fair value at the end of the reporting periods, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	At 30 June 2017			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Equity investments	10,691,305,610	1,038,972,686	–	11,730,278,296
– Debt investments	6,617,053,479	21,518,372,820	–	28,135,426,299
– Funds and other investments	1,523,150,224	5,002,696,403	7,960,103	6,533,806,730
Financial assets designated as at fair value through profit or loss				
– Equity investments	13,977,982,527	263,489,409	–	14,241,471,936
– Debt investments	–	20,046,906	–	20,046,906
– Funds and other investments	–	9,028,106,939	–	9,028,106,939
Derivative financial assets	51,786,032	2,176,103,603	–	2,227,889,635
Available-for-sale financial assets				
– Equity investments	103,565,224	13,800,000	1,156,711,783	1,274,077,007
– Debt investments	–	10,702,926,036	–	10,702,926,036
– Funds and other investments	476,426	582,141,471	–	582,617,897
Total	32,965,319,522	50,346,656,273	1,164,671,886	84,476,647,681

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

45 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

	At 30 June 2017			
	Level I	Level II	Level III	Total
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	(1,217)	(250)	–	(1,467)
– Debt investments	–	(1,015,712,512)	–	(1,015,712,512)
– Funds and others	–	(10,017,884)	–	(10,017,884)
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	(386,350,723)	(8,591,881,337)	–	(8,978,232,060)
Derivatives financial liabilities	(30,405,945)	(2,325,121,624)	–	(2,355,527,569)
Total	(416,757,885)	(11,942,733,607)	–	(12,359,491,492)

	At 31 December 2016			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
– Equity investments	8,415,171,966	240,664,852	–	8,655,836,818
– Debt investments	2,800,615,145	17,842,397,802	–	20,643,012,947
– Funds and other investments	702,770,435	2,451,604,643	8,069,097	3,162,444,175
Financial assets designated as at fair value through profit or loss				
– Equity investments	12,058,862,161	189,626,159	–	12,248,488,320
– Funds and other investments	–	10,445,059,430	–	10,445,059,430
Derivative financial assets	39,976,985	1,682,029,539	–	1,722,006,524
Available-for-sale financial assets				
– Equity investments	20,351,940	–	1,012,289,275	1,032,641,215
– Funds and other investments	434,267	–	10,000,000	10,434,267
Total	24,038,182,899	32,851,382,425	1,030,358,372	57,919,923,696

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(Expressed in RMB, unless otherwise stated)

45 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

	At 31 December 2016			
	Level I	Level II	Level III	Total
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
– Equity investments	(9,235,906)	(258)	–	(9,236,164)
– Debt investments	–	(2,117,463,083)	–	(2,117,463,083)
Financial liabilities designated as at fair value through profit or loss				
– Equity investments	(254,349,156)	(7,361,559,114)	–	(7,615,908,270)
Derivatives financial liabilities	(29,685,607)	(1,646,745,463)	–	(1,676,431,070)
Total	(293,270,669)	(11,125,767,918)	–	(11,419,038,587)

(i) The Group's investment in certain suspended stocks were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available:

	At 30 June 2017	At 31 December 2016
Financial assets at fair value through profit or loss	972,461,942	249,756,216
Financial liabilities at fair value through profit or loss	(24,906,972)	–

For the six months ended 30 June 2017 and the year ended 31 December 2016, there were no other significant transfer between Level I and Level II of the fair value hierarchy.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

45 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements

At 30 June 2017 and 31 December 2016, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

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	Derivatives financial liabilities	Total
At 1 January 2017	8,069,097	1,022,289,275	–	1,030,358,372
Gains or losses for the period	(108,994)	234,970,722	–	234,861,728
Changes in fair value recognized in other comprehensive income	–	21,306,855	–	21,306,855
Arising from acquisition of a subsidiary	–	83,855,404	–	83,855,404
Purchases	–	121,007,817	–	121,007,817
Sales and settlements	–	(312,918,290)	–	(312,918,290)
Transfer out of Level III	–	(13,800,000)	–	(13,800,000)
At 30 June 2017	7,960,103	1,156,711,783	–	1,164,671,886
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(806,339)	65,912,626	–	65,106,287

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

45 FAIR VALUE INFORMATION *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level III fair value measurements *(continued)*

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Derivatives financial liabilities	Total
At 1 January 2016	392,480,728	1,178,744,923	(15,098,759)	1,556,126,892
Gains or losses for the year	3,923,673	215,505,396	(29,418,183)	190,010,886
Changes in fair value recognized in other comprehensive income	–	(9,016,524)	–	(9,016,524)
Purchases	8,976,854	352,560,876	–	361,537,730
Sales and settlements	(397,312,158)	(715,505,396)	44,516,942	(1,068,300,612)
At 31 December 2016	8,069,097	1,022,289,275	–	1,030,358,372
Total gains or losses for the year included in profit or loss for assets held at the end of the year	(907,758)	175,519,108	–	174,611,350

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	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable input(s) to fair value**
Funds and other investments	Level III	Allocated net assets value	Net asset value	The higher the allocated net assets value, the higher the fair value
Unlisted equity investments	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

45 FAIR VALUE INFORMATION *(continued)*

(b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued 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 the Group, which are classified as Level II categories and disclosed in Note 37.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortized cost in the Group's statement of financial position approximate their fair values.

46 FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of counterparties, clients, intermediary institutions, bond issuers or other business associates to meet their contracted obligation to the Group.

Currently, the Group's exposure to credit risk arises from: (1) direct credit risk from debt borrowers (including borrowers in margin financing and securities lending business) or bond issuers' default or bankruptcy, including the loss due to intermediary institutions such as brokers or custodian banks. The risk exposure is the total value of the debt outstanding; (2) counterparty credit risk from a counterparty's default on the over-the-counter derivative transactions, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives; (3) settlement risk from a business associate's failure in delivery of fund or securities when the Group has fulfilled its delivery obligation.

To mitigate direct credit risk, the Group has set up investment criteria and limits based on bonds variety, credit ratings and issuers. For margin financing and securities lending and reverse REPOs, the Group undertakes various means to mitigates the direct credit risk, including holding collaterals from clients, reviewing and setting client trading limits, managing the underlying securities and collaterals and their conversion ratios, real-time and day-end monitoring, executing margin calls and forced liquidations, undertaking recourse actions.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

46 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

(i) Maximum exposure to credit risk of the Group without taking into account of any collateral or other credit enhancements:

	At 30 June 2017	At 31 December 2016
Refundable deposits	**2,465,291,476**	1,023,609,582
Financial assets at fair value through profit or loss	**28,155,473,205**	20,643,012,947
Derivative financial assets	**2,176,103,603**	1,682,029,539
Reverse REPOs	**10,014,863,793**	3,939,568,791
Receivable from margin clients	**19,149,515,970**	3,045,177,445
Available-for-sale financial assets	**10,702,926,036**	–
Cash held on behalf of brokerage clients	**48,711,708,288**	16,717,391,180
Bank balances	**21,291,840,277**	10,504,374,935
Accounts receivable	**10,323,404,293**	6,581,290,461
Others	**1,506,921,178**	480,752,367
Total maximum credit risk exposure	**154,498,048,119**	64,617,207,247

(ii) Risk concentrations

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

	By geographical area		
	Mainland China	Outside Mainland China	Total
At 30 June 2017			
Refundable deposits	2,311,623,320	153,668,156	2,465,291,476
Financial assets at fair value through profit or loss	27,903,412,262	252,060,943	28,155,473,205
Derivative financial assets	1,040,866,648	1,135,236,955	2,176,103,603
Reverse REPOs	9,676,570,753	338,293,040	10,014,863,793
Receivable from margin clients	18,406,941,819	742,574,151	19,149,515,970
Available-for-sale financial assets	10,702,926,036	–	10,702,926,036
Cash held on behalf of brokerage clients	44,714,601,209	3,997,107,079	48,711,708,288
Bank balances	18,860,053,653	2,431,786,624	21,291,840,277
Accounts receivable	1,411,868,755	8,911,535,538	10,323,404,293
Others	1,454,997,384	51,923,794	1,506,921,178
Total maximum credit risk exposure	136,483,861,839	18,014,186,280	154,498,048,119

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

46 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

(ii) Risk concentrations *(continued)*

	By geographical area		
	Mainland China	Outside Mainland China	Total
At 31 December 2016			
Refundable deposits	894,944,862	128,664,720	1,023,609,582
Financial assets at fair value through profit or loss	20,215,751,419	427,261,528	20,643,012,947
Derivative financial assets	551,316,352	1,130,713,187	1,682,029,539
Reverse REPOs	3,678,970,520	260,598,271	3,939,568,791
Receivable from margin clients	2,621,195,130	423,982,315	3,045,177,445
Cash held on behalf of brokerage clients	14,361,703,849	2,355,687,331	16,717,391,180
Bank balances	7,312,284,678	3,192,090,257	10,504,374,935
Accounts receivable	1,832,275,560	4,749,014,901	6,581,290,461
Others	451,719,078	29,033,289	480,752,367
Total maximum credit risk exposure	51,920,161,448	12,697,045,799	64,617,207,247

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

46 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

(iii) Credit rating analysis of financial assets

The Group adopts a credit rating approach in managing credit risk of debt securities portfolio. The carrying amount of debt securities investments analyzed by the rating agency designations at the end of the reporting periods are as follows:

	At 30 June 2017	At 31 December 2016
Overseas (by international rating agencies)		
– AAA	**9,305**	207,500,287
– From AA- to AA+	**30,558,776**	103,432,866
– From A- to A+	**2,773,294,401**	1,458,846,099
– Below A-	**2,317,442,991**	2,047,591,703
Sub-total	**5,121,305,473**	3,817,370,955
Mainland (by domestic rating agencies)		
– AAA	**22,336,397,797**	12,655,508,993
– From AA- to AA+	**5,500,574,668**	978,824,661
– From A- to A+	**43,000,000**	43,000,000
– Below A-	**11,620,394**	–
Sub-total	**27,891,592,859**	13,677,333,654
Non-rated I (Note 1)	**2,797,223,715**	2,015,978,399
Non-rated II (Note 2)	**3,048,277,194**	1,132,329,939
Total	**38,858,399,241**	20,643,012,947

Note 1: These non-rated financial assets mainly include government bonds, central bank bills, policy financial bonds, non-rated local government bonds and Special Drawing Rights ("SDR") – denominated bonds.

Note 2: These non-rated financial assets are mainly other debt instruments and trading securities which are not rated by independent rating agencies.

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(Expressed in RMB, unless otherwise stated)

46 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

Liquidity risk arises when the Group, despite being solvent at the time, cannot obtain sufficient funding in a timely basis or at a reasonable cost to finance the expansion of its assets or to pay off its obligation when it falls due.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the reporting periods), categorized by their remaining contractual maturities at the end of the reporting periods calculated based on the earliest date the Group can be required to pay:

	At 30 June 2017					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	53,463,039,122	–	–	–	–	53,463,039,122
Placements from financial institutions	–	3,764,558,302	–	–	–	3,764,558,302
Financial liabilities at fair value through profit or loss	–	10,003,963,923	–	–	–	10,003,963,923
Derivative financial liabilities	–	2,109,353,473	246,174,096	–	–	2,355,527,569
REPOs	–	29,750,190,371	–	–	–	29,750,190,371
Short-term debt securities issued	–	1,714,101,184	–	–	–	1,714,101,184
Long-term debt securities issued	–	1,107,569,151	40,109,163,342	124,000,000	–	41,340,732,493
Others	9,312,481,217	15,983,258,231	2,675,978	3,499,488	–	25,301,914,914
Total	62,775,520,339	64,432,994,635	40,358,013,416	127,499,488	–	167,694,027,878

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(Expressed in RMB, unless otherwise stated)

46 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

	At 31 December 2016					
	Overdue/ repayable on demand	Within 1 year (inclusive)	1 – 5 years (inclusive)	More than 5 years	Undated	Total
Financial liabilities						
Accounts payable to brokerage clients	17,392,360,452	–	–	–	–	17,392,360,452
Placements from financial institutions	–	3,582,117,222	–	–	–	3,582,117,222
Financial liabilities at fair value through profit or loss	–	9,742,607,517	–	–	–	9,742,607,517
Derivative financial liabilities	–	1,454,213,190	222,217,880	–	–	1,676,431,070
REPOs	–	5,407,474,573	107,000,000	–	–	5,514,474,573
Short-term debt securities issued	–	654,111,473	2,151,116,438	–	–	2,805,227,911
Long-term debt securities issued	–	652,311,875	19,757,747,500	2,146,140,000	–	22,556,199,375
Others	9,222,180,284	8,169,265,647	2,675,978	3,499,488	–	17,397,621,397
Total	26,614,540,736	29,662,101,497	22,240,757,796	2,149,639,488	–	80,667,039,517

(c) Market risk

Market risk is the risk of loss in the Group's income and value of financial instruments held arising from the adverse market movements such as changes in interest rates, stock prices, and foreign exchange rates. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximize the risk adjusted return. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

The Group monitors the market risk for investment portfolios and non-trading portfolios separately.

(i) Market risk of investment portfolios

Investment portfolio includes financial assets at fair value through profit or loss, derivative financial assets, financial liabilities at fair value through profit or loss, derivative financial liabilities and available-for-sale financial assets. The risk exposures are measured and monitored in terms of principal, stop loss limit and etc., and are maintained within the limits set up by management. The Group adopts various kinds of methodologies (such as investment concentration limits, scenario analysis, Value-at-Risk ("VaR"), etc.) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the investment portfolios.

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to the adverse market movements, such as interest rates, foreign exchange rates and stock prices and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group compute VaR by using a historical simulation method and implement relevant control of market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and the sensitivity of current investment portfolio in respect of such risk factors.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

46 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Market risk of investment portfolios *(continued)*

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

– When there is severe market illiquidity for a prolonged period, the realizable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;

– The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability of 5% that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect intra day exposures;

– The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position changes if the market price volatility changes.

The following tables set forth the Group (excluding CISC) computed VaRs by risk categories as of the dates and for the periods:

	At 30 June	For the six months ended 30 June 2017		
	2017	Average	Highest	Lowest
Price-sensitive financial instruments	22,306,362	17,307,135	32,482,397	6,037,812
Interest-rate-sensitive financial instruments	31,140,444	27,521,843	38,136,144	19,351,240
Exchange-rate-sensitive financial instruments	8,977,945	6,994,548	10,187,851	5,123,628
Total portfolio	38,205,609	34,368,143	52,121,578	23,402,695

	At 31 December	For the year ended 31 December 2016		
	2016	Average	Highest	Lowest
Price-sensitive financial instruments	11,808,293	10,028,777	20,130,221	2,271,047
Interest-rate-sensitive financial instruments	24,091,328	22,357,613	28,431,350	15,675,647
Exchange-rate-sensitive financial instruments	7,641,385	9,380,023	15,659,515	5,180,069
Total portfolio	29,686,979	27,366,626	35,990,332	21,212,473

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

46 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Market risk of investment portfolios *(continued)*

The Company acquired 100% equity interests in CISC in March 2017. The following tables set forth the Group (including CISC) computed VaRs by risk categories as of the dates and for the periods:

	At 30 June	For the six months ended 30 June 2017		
	2017	Average	Highest	Lowest
Price-sensitive financial instruments	25,733,927	18,615,089	34,959,168	6,037,812
Interest-rate-sensitive financial instruments	40,378,686	32,205,893	47,451,716	19,351,240
Exchange-rate-sensitive financial instruments	8,977,945	7,004,571	10,187,851	5,123,628
Total portfolio	49,297,255	39,635,819	63,170,507	23,402,695

(ii) Market risk of non-trading portfolios

(1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearing houses and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit and equity	
	At 30 June 2017	At 31 December 2016
Changes in basis points		
Increase by 50 basis points	**(79,146,640)**	(45,389,091)
Decrease by 50 basis points or decrease to 0	**89,292,210**	45,882,054

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

46 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(ii) Market risk of non-trading portfolios *(continued)*

(1) Interest rate risk (continued)

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

– The 50 basis points of changes in interest rates at the end of the reporting periods apply to all of the Group's non-trading financial instruments in the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rate;

– There are no changes to the assets and liabilities portfolios;

– Other variables (including exchange rate) remain unchanged; and

– Risk management measures undertaken by the Group are not considered.

Due to the above assumptions, the actual changes of interest rate and the impact to the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

(2) Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The Group's currency risk regarding the non-trading portfolio primarily relates to business activities denominated in foreign currencies different from the Group's functional currency and is considered not material, because the proportion of the non-trading portfolios denominated in foreign currencies is relatively low.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

47 ACQUISITION OF A SUBSIDIARY

The Company acquired 100% equity interests in CISC in March 2017 and completed the issuance of 1,678,461,809 domestic shares to Huijin on 12 April 2017. After completion of the acquisition, the registered capital and share capital of the Company increased to RMB3,985,130,809. This transaction will help the Company further broaden its customer base, achieve a deeper penetration in the large, medium and small enterprises as well as institutional and individual customers, and build a more balanced business structure across the primary and secondary markets, so as to enhance the Company's ability to weather risks and volatility in the capital market and greatly enhance its overall competitiveness.

CISC was formed out of the securities-related assets from China Southern Securities Joint Stock Co., Ltd., one of the first PRC securities service providers. Leveraging its proven track record and full securities business licenses, CISC provides a comprehensive range of securities products and services to serve various needs of corporate, individual, institutional and government clients.

(a) Consideration transferred

	Amount
Equity instruments (1,678,461,809 domestic shares)	16,700,695,000

(b) Acquisition-related costs

The costs incurred for the Group in connection with the Acquisition amounted to RMB56million. These costs have been capitalized or expensed in accordance with the relevant accounting standards.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

47 ACQUISITION OF A SUBSIDIARY *(continued)*

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	At 31 March 2017
Property and equipment	253,317,152
Intangible assets	174,489,321
Interest in associates	233,543,117
Available-for-sale financial assets	960,155,080
Reverse REPOs	6,649,861,504
Refundable deposits	125,974,132
Deferred tax assets	471,422,525
Accounts receivable	397,501,395
Receivable from margin clients	18,092,290,291
Financial assets at fair value through profit or loss	7,467,010,890
Interest receivable	1,232,403,220
Cash held on behalf of brokerage clients	30,614,360,425
Cash and bank balances	7,631,792,908
Other assets	1,475,519,356
Accounts payable to brokerage clients	(30,683,170,163)
Placements from financial institutions	(315,169,000)
REPOs	(14,844,988,519)
Employee benefits payable	(1,604,618,460)
Income tax payable	(236,516,976)
Debt securities issued	(10,010,867,136)
Deferred tax liabilities	(223,781,282)
Other liabilities	(2,636,314,294)
Net assets	15,224,215,486

(d) Goodwill arising from acquisition

	At 31 March 2017
Consideration transferred	16,700,695,000
Plus: Non-controlling interests	106,199,132
Less: Net identifiable assets acquired	15,224,215,486
Goodwill arising from acquisition	1,582,678,646

Notes to the Unaudited Interim Financial Report

(Expressed in RMB, unless otherwise stated)

47 ACQUISITION OF A SUBSIDIARY *(continued)*

(d) Goodwill arising from acquisition *(continued)*

Goodwill arose in the acquisition of CISC because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from the acquisition is expected to be deductible for tax purposes.

(e) Impact of acquisition of CISC on the results of the Group

From 1 April 2017 to 30 June 2017, CISC contributed revenue of RMB1,280 million and net profit of RMB204 million to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that the consolidated revenue would have been increased by RMB1,419 million to RMB7,239 million and that the consolidated net profit for the period would have been increased by RMB305 million to RMB1,434 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

48 CONTINGENCIES

As of 30 June 2017, the Company's subsidiary CISC held one piece of land under construction for which CISC had obtained the relevant land use right certificates and the construction permits required under PRC laws. Up to the date of the approval of this interim financial report, construction of the land has not commenced. According to relevant laws and regulations, in the event of delay in commencement of construction work on land, CISC may be subject to a penalty on idle land no more than RMB112.2 million (equivalent to 20% of the land transfer fee) and/or the forfeiture of the land. However, if the delay of commencement is caused by government actions or force majeure, CISC may negotiate with the relevant authorities for postponing the commencement date and extending the time period for development and construction of the land. CISC is still in the process of communicating with the relevant government authorities to postpone the construction commencement date and to extend the construction period. The amount of penalty is subject to the decision of the relevant government authorities, and the directors are in the view that such amount cannot be reliably estimated. As such, no provision was made at 30 June 2017.

Except for the above, the Group has no other outstanding matters which have a material impact on its financial position at 30 June 2017.

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(Expressed in RMB, unless otherwise stated)

49 SUBSEQUENT EVENTS

(a) Issuance of corporate bonds

(i) The Company issued a corporate bond with a total principal amount of RMB2 billion on 27 July 2017, bearing nominal interest rate at 4.78% per annum and repayable on 27 July 2020.

(ii) CISC issued a corporate bond with a total principal amount of RMB4 billion on 18 July 2017. The corporate bonds are divided into two types:

- Type one bears interest rate at 4.95% per annum with a principal amount of RMB3 billion and is repayable on 18 July 2020;

- Type two bears interest rate at 5.10% per annum with a principal amount of RMB1 billion and is repayable on 18 July 2022.

(b) Issuance of subordinated bonds

The Company issued a subordinated bond with a total principal amount of RMB1.5 billion on 24 July 2017, bearing nominal interest rate at 4.98% per annum and repayable on 24 July 2022.

(c) Issuance and repayment of beneficiary certificates

During the period from 1 July 2017 to the date of approval of this financial statements, the Company issued and redeemed beneficiary certificates with a total principal amount of RMB0.71 billion and RMB0.42 billion respectively, and CISC issued and redeemed beneficiary certificates with a total principal amount of RMB0.14 billion and RMB0.64 billion respectively.

(d) Acquisition

The Group entered into a definitive agreement with Krane Funds Advisors, LLC ("KraneShares") and its shareholder KFA One Holdings, LLC on 3 July 2017 to acquire a majority stake in KraneShares, a U.S. asset management firm best known for its China focused exchange traded funds (ETFs) and China investment strategies. The closing of the transaction is subject to satisfaction of certain conditions. The consideration for the acquisition is subject to the assets under management at closing.

(e) Profit distribution

The Company's Annual General Meeting of Shareholders approved the 2016 profit distribution plan on 12 June 2017. The distribution of cash dividends was made on 11 August 2017.