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恒 投 證 券

HENGTOU SECURITIES

(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

(the “Company”)
(Stock Code: 01476)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the “**Board**”) of the Company hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2017. This announcement, containing the full 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 information to accompany preliminary announcement of interim results and has been reviewed by the audit committee of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cnht.com.cn). The 2017 interim report of the Company will be dispatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course but no later than the end of September 2017.

By order of the Board
Pang Jiemin
Chairman

Beijing, the PRC
25 August 2017

As at the date of this announcement, the Board comprises Mr. Pang Jiemin and Mr. Wu Yigang as executive directors; Mr. Zhang Tao, Mr. Chen Guanglei and Mr. Sun Chao as non-executive directors; Mr. Peng Diyun, Ms. Zhou Jianjun and Dr. Lam Sek Kong as independent non-executive directors.

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Important Notice

The Board, the Supervisory Committee, the Directors, the Supervisors and the senior management of the Company undertake that the content of this report is true, accurate, complete and without any false record, misrepresentation or material omission and are severally and jointly liable therefor.

This report has been considered and approved at the seventh meeting of the third session of the Board and the sixth meeting of the third session of the Supervisory Committee where all Directors and all Supervisors were present, respectively. No Directors, Supervisors or senior management declared that they could not guarantee nor had any objection to the truthfulness, accuracy and completeness of this report.

The interim financial information for the six months ended 30 June 2017 is prepared by the Company in accordance with the International Financial Reporting Standards, and has been reviewed by RSM Hong Kong in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Pang Jiemin (the chairman of the Board), Mr. Niu Zhuang (the president), Ms. Yang Shufei (the chief financial officer) and Mr. Yang Liyang (the finance manager) declared that, they undertake the interim financial information in this report is true, accurate and complete.

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

Section I Definitions

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

Articles of Association	the articles of association of the Company, as amended from time to time
asset securitization	an act of converting less liquid assets into securities that can be traded freely in the financial market to have them become liquid and a direct way of financing through issuing securities in capital market and monetary market
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600191) and a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Companies Registry in Hong Kong on 27 April 2015, and whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as 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)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in RMB
end of the Reporting Period	30 June 2017
Finance Street Capital	Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 100% equity interest in Huarong Infrastructure
Finance Street Investment	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Finance Street Xihuan Properties	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company

Section I Definitions

GDP	gross domestic product
Group	the Company and its subsidiaries
H Share(s)	overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Hangzhou Ruisi	Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 98.67% equity interest in Shaanxi Tianchen
Hengtai Capital	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), 100% equity interest of which is held by the Company
Hengtai Changcai	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), 100% equity interest of which is held by the Company
Hengtai Futures	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司), 80% and 20% equity interest of which are held by the Company and Hengtai Capital, respectively
Hengtai Pioneer	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), 100% equity interest of which is held by the Company
HK\$	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
Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Huarong Investment	Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司), which holds 90% equity interest in Finance Street Xihuan Properties
Huifa Investment	Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), formerly known as Shenzhen City Huifa Investment Co., Ltd. (深圳市匯發投資有限公司), and a shareholder of the Company
Huijin Jiaye	Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限公司), a shareholder of the Company

Section I Definitions

IB business	the business activities in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions for the futures companies and provide other related services
IPO	Initial Public Offering
Listing	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on 15 October 2015
Listing Date	15 October 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NEEQ	National Equities Exchange and Quotations
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company
Ningbo Shike	Ningbo Shike Trading Co., Ltd. (寧波實科商貿有限公司), which holds 70% equity interest in Qingyun Intercontinental
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Qingyun Intercontinental	Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限公司), a substantial shareholder of the Company
Reporting Period	for the six months ended 30 June 2017
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% equity interest in each of Huarong Investment, Finance Street Capital and Finance Street Investment, respectively
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Section I Definitions

Shaanxi Hongya	Shaanxi Hongya Ruijiu Trading Co., Ltd. (陝西弘雅瑞久商貿有限公司), which holds 99.60% equity interest in Ningbo Shike
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.08% equity interest in Hongzhi Huitong
Shanghai Julu	Shanghai Julu Information Technology Co., Ltd. (上海巨祿信息科技有限公司), which holds 99.47% equity interest in Shenzhen Zhongxin
Shanghai Xishida	Shanghai Xishida Electronic Technology Co., Ltd. (上海喜仕達電子技術有限公司), which holds 99.99% equity interest in Huijin Jiaye
Shanghai Yida	Shanghai Yida Technology Investment Co., Ltd. (上海怡達科技投資有限責任公司), a substantial shareholder of the Company
Shenzhen Zhongxin	Shenzhen Zhongxin Tuoye Technology Co., Ltd. (深圳中新拓業科技有限公司), which holds 95% equity interest in Shanghai Xishida
stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 94% equity interest in Hangzhou Ruisi
this report	2017 interim report of the Company
Tomorrow Holding	Tomorrow Holding Limited Company (明天控股有限公司), which holds approximately 54% equity interest in Baotou Huazi, one of the substantial shareholders of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an independent third party of the Company
Zhongchang Hengyuan	Zhongchang Hengyuan Holdings Limited (中昌恒遠控股有限公司), a substantial shareholder of the Company

Section II Company Profile

1. NAME OF COMPANY

Chinese name : 恒泰证券股份有限公司, being the corporate name in the PRC (carrying on business in Hong Kong as “恒投證券”)

English name: HENGTAI SECURITIES CO., LTD, being English translation of the corporate name in the PRC (carrying on business in Hong Kong as “HENGTOU SECURITIES”)

2. LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Pang Jiemin

3. BOARD OF DIRECTORS

Executive Directors

Mr. Pang Jiemin (*Chairman*)

Mr. Wu Yigang (*Vice Chairman*)

Non-executive Directors

Mr. Zhang Tao

Mr. Chen Guanglei

Mr. Sun Chao

Independent Non-executive Directors

Mr. Peng Diyun

Ms. Zhou Jianjun

Dr. Lam Sek Kong

Special Committees of the Board

Strategy and Investment Committee

Mr. Pang Jiemin (*Chairman of the Committee*)

Mr. Sun Chao

Dr. Lam Sek Kong

Risk Control and Supervisory Committee

Mr. Zhang Tao

Mr. Wu Yigang

Section II Company Profile

3. BOARD OF DIRECTORS (CONTINUED)

Audit Committee

Ms. Zhou Jianjun (*Chairman of the Committee*)

Mr. Zhang Tao

Dr. Lam Sek Kong

Remuneration and Nomination Committee

Mr. Peng Diyun (*Chairman of the Committee*)

Ms. Zhou Jianjun

4. SUPERVISORY COMMITTEE

Mr. Guo Liwen (*Chairman of the Supervisory Committee*)

Ms. Pei Jingjing

Mr. Wang Hui

5. SECRETARY OF THE BOARD

Mr. Zhang Wei

Tel: (86 471) 4913 858

Fax: (86 471) 4913 858

Email: zhangwei@cnht.com.cn

Correspondence Address: 18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code: 010098)

6. JOINT COMPANY SECRETARIES

Mr. Zhang Wei, Ms. Leung Wing Han Sharon

7. AUTHORIZED REPRESENTATIVES

Mr. Pang Jiemin, Ms. Leung Wing Han Sharon

8. HEAD OFFICE IN CHINA

Registered address: 14–18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code: 010098)

Head office address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

Website: www.cnht.com.cn

Email: dongban@cnht.com.cn

9. PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

10. AUDITORS

International accounting firm: RSM Hong Kong

Domestic accounting firm: Ruihua Certified Public Accountants LLP

11. HONG KONG LEGAL ADVISOR

Luk & Partners

in Association with

Morgan, Lewis & Bockius

12. H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

13. STOCK CODE (H SHARES)

01476

Section III Summary of Accounting Data and Financial Indexes

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

(Accounting data and financial indexes set out in this report are prepared in accordance with the International Financial Reporting Standards)

Item	1 January 2017 to 30 June 2017	1 January 2016 to 30 June 2016	Increase/ (decrease) from last period
Operating results (RMB'000)			
Total revenue and other income	1,852,879	1,661,844	11.50%
Profit before tax	516,081	280,190	84.19%
Profit for the period – attributable to ordinary shareholders of the Company	361,851	197,545	83.17%
Net cash (used in)/generated from operating activities	(2,253,771)	185,848	(1,312.70%)
Earnings per share (RMB/share)			
Basic earnings per share ¹	0.12	0.06	100.00%
Diluted earnings per share ¹	0.12	0.06	100.00%
Profitability index			
Weighted average return on net assets (%) ²	3.77	1.82	Increased by 1.95 percentage points
Item	30 June 2017	31 December 2016	Increase/ (decrease) from the end of last year
Scale indicators (RMB'000)			
Total assets	36,601,932	37,148,596	(1.47%)
Total liabilities	26,295,733	27,212,391	(3.37%)
Account payables to brokerage clients	10,708,290	12,201,337	(12.24%)
Equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities	9,962,531	9,660,960	3.12%
Total share capital ('000 shares)	2,604,567	2,604,567	0.00%
Net assets value per share attributable to ordinary shareholders³ (RMB/share)	3.25	3.13	3.83%
Gearing ratio (%)⁴	60.20	60.17	Increased by 0.03 percentage points

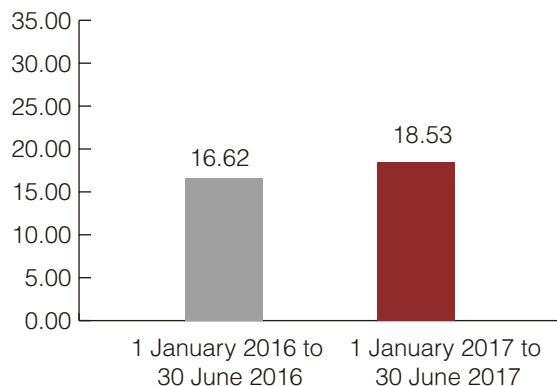
Section III Summary of Accounting Data and Financial Indexes

Notes:

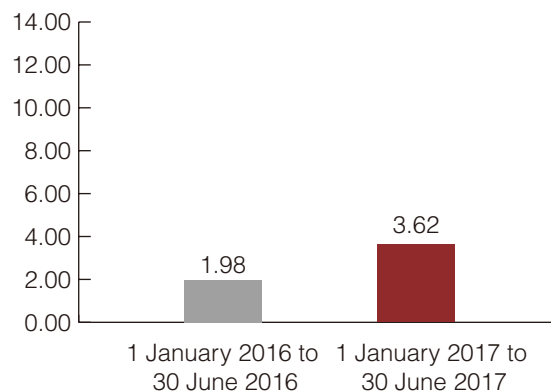
1. The index is calculated based on the assumption of deducting the dividends of the accumulated perpetual capital securities holders.
2. Weighted average return on net assets (%) = $P/(E_o + P \div 2 + E_i \times M_i \div M_o - E_j \times M_j \div M_o)$, in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period; E_o represents net assets at the beginning of the period attributable to ordinary shareholders of the Company; E_i represents additional net assets from issuance of new shares or from debt to equity during the Reporting Period attributable to ordinary shareholders of the Company; E_j represents reduced net assets from repurchase or from cash dividend during the Reporting Period attributable to ordinary shareholders of the Company; M_o represents number of months of the Reporting Period; M_i represents number of months calculated from the month following the additional net assets to the end of the Reporting Period; M_j represents number of months calculated from the month following the reduced net assets to the end of the Reporting Period.
3. Net assets value per share attributable to ordinary shareholders = (equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities) divided by total share capital
4. Gearing ratio (%) = $(\text{total liabilities} - \text{account payables to brokerage clients}) / (\text{total assets} - \text{account payables to brokerage clients})$

Section III Summary of Accounting Data and Financial Indexes

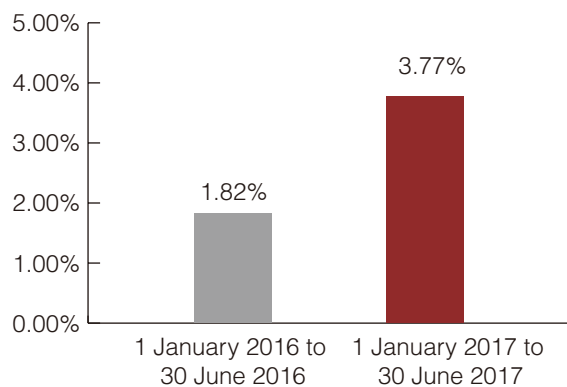
**Revenue and other income
(RMB100 million)**



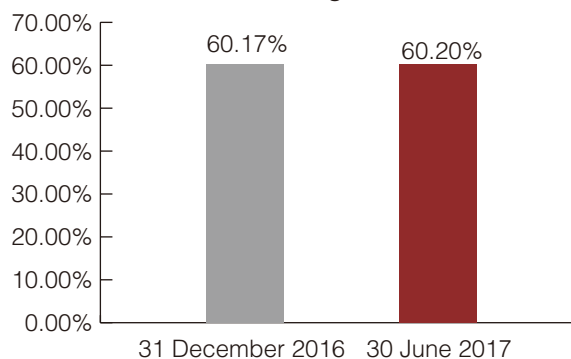
**Profit for the period – attributable to ordinary
shareholders of the Company
(RMB100 million)**



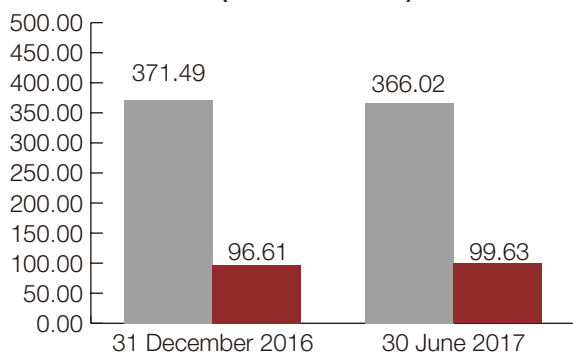
**Weighted average
return on net assets**



Gearing ratio



**Scale indicators
(RMB100 million)**



■ Total assets

■ Equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities

Section III Summary of Accounting Data and Financial Indexes

II. NET CAPITAL AND RISK CONTROL INDEXES OF THE COMPANY

As at 30 June 2017, the Company's net capital amounted to RMB6,619.33 million, representing a decrease of RMB246.20 million as compared with RMB6,865.53 million as at the end of 2016. During the Reporting Period, the net capital and related risk control indexes of the Company met the regulatory requirements.

Unit: in RMB'000

Item	30 June 2017	31 December 2016	Regulatory standard
Net capital	6,619,327	6,865,531	N/A
Including: Net core capital	5,569,327	5,265,531	N/A
Net supplement capital	1,050,000	1,600,000	N/A
Net assets	9,697,080	9,442,948	N/A
Total risk capital provision	3,661,967	2,980,246	N/A
Total assets on and off statement of financial position	21,591,544	23,004,162	N/A
Risk coverage ratio	180.76%	230.37%	≥100%
Capital leverage ratio	25.79%	22.89%	≥8%
Liquidity coverage ratio	613.33%	824.68%	≥100%
Net stable funding ratio	145.36%	131.44%	≥100%
Net capital/net assets	68.26%	72.71%	≥20%
Net capital/liabilities	60.09%	53.95%	≥8%
Net assets/liabilities	88.04%	74.20%	≥10%
Proprietary equity securities and securities derivatives/net capital	31.40%	40.09%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	119.40%	98.93%	≤500%

Section IV Management Discussion and Analysis

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, China's macro-economy was running smoothly. In the first half of 2017, China's GDP grew by 6.9% year-on-year, 0.2 percentage points higher than that of the same period in 2016. In the first half of 2017, fixed asset investment growth slowed down slightly, domestic consumption maintained its steady growth momentum and export growth rebounded significantly. Specifically, in the first half of 2017, China's fixed asset investment grew by 8.6% year-on-year, representing a decrease of 0.4 percentage points as compared with the same period in 2016; total retail sales of consumer goods grew by 10.4% year-on-year, representing an increase of 0.1 percentage point as compared with the same period in 2016; RMB-denominated export volume grew by 15.0%, representing an increase of 17.1 percentage points as compared with the same period in 2016. Meanwhile, in the first half of 2017, the supply-side structural reform has been progressively taking effect, manifesting a year-on-year increase of 6.6% in Producer Price Index (PPI), and has facilitated the inventory replenishment and profit improvement of industrial enterprises. During the Reporting Period, broad money growth fell to 9.4% year-on-year and the domestic market liquidity maintained a relatively tight pattern.

During the Reporting Period, China's securities market showed fluctuations within a narrow range with declining trading volumes. In the first half of 2017, Shanghai Composite Index and Shenzhen Component Index rose slightly by 2.86% and 3.46%, respectively. At the same time, the turnover of stocks and funds on both stock exchanges totaled RMB56,653,304 million, representing a decrease of 18.18% as compared with the same period in 2016. In particular, the total turnover of stocks and funds on Shanghai Stock Exchange amounted to RMB27,209,666 million, representing a decrease of 3.29% as compared with the same period in 2016; the total turnover of stocks and funds on Shenzhen Stock Exchange was RMB29,443,638 million, representing a decrease of 28.37% as compared with the same period in 2016. (Sources: websites of National Bureau of Statistics and People's Bank of China, Wind Info)

II. ANALYSIS OF PRINCIPAL BUSINESSES

During the Reporting Period, the Group recorded revenue and other income of RMB1,852.88 million and a net profit of RMB393.23 million, representing an increase of 11.50% and 72.36% as compared with the same period of 2016, respectively.

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB817.12 million, representing a decrease of 9.67% as compared with the same period of 2016.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Brokerage and Wealth Management Business (Continued)

1. Securities brokerage

During the Reporting Period, the Company promoted business development through multiple channels such as continuous and intensified promotion for online account opening, increase of branches and devoting more efforts in development of institutional clients. During the Reporting Period, the number of new accounts opened reached 146,500 (including 143,700 online accounts), and the number of client reached 2,208,900, representing an increase of 6.87% as compared with the end of 2016. The total assets under custody for clients reached RMB162,546 million, representing an increase of 3.07% as compared with the end of 2016. The turnover of stocks and funds reached RMB724,910 million, representing a decrease of 0.99% as compared with the same period of 2016, while the market share of stocks and funds was 0.6403%, representing an increase of 20.88% as compared with the same period of 2016. Net revenue from brokerage business grew steadily on the industry ranking list.

2. Futures brokerage

During the Reporting Period, Hengtai Futures was qualified as one of the first tranche of the investor education bases (online), became a member of Shanghai International Energy Exchange and completed the preparatory work for the listing of crude oil futures. Hengtai Futures sought breakthroughs with institutional business, continued to advance internet business, and strengthened development of financial institution and industry clients. Furthermore, it deepened management of IB service areas and intensified cooperation with Internet financial platform. During the Reporting Period, the number of newly-added clients of Hengtai Futures reached 2,486.

3. Wealth management

During the Reporting Period, in the light of the overall market performance, the Company further optimized the sale of financial products and vigorously developed the sales of private equity funds while stabilizing the sales of public funds. The Company further consummated the system construction, strengthened risk control, and enhanced risk awareness so as to improve wealth management standard. Besides, it continued to devote intensive efforts to the work regarding investor education. During the Reporting Period, the Company sold a total of 49 financial products and recorded a sales amount of RMB3,991.44 million, representing an increase of 16.37% as compared to the same period of 2016.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Brokerage and Wealth Management Business (Continued)

4. Capital-based intermediary business

During the Reporting Period, both margin financing and securities lending were decreased continually on the market. On the one hand, the Company strengthened customer maintenances and services to avoid customer loss; on the other hand, it actively sought breakthroughs and launched promotional campaigns for the business of margin financing and securities lending in due course while strengthening control of business risks. As at the end of the Reporting Period, the Company's balance of the business of margin financing and securities lending amounted to RMB4,597.36 million, representing a decrease of 11.14% as compared to the end of 2016.

5. Asset custody business

During the Reporting Period, the asset custody business continued to maintain a rapid development by means of enhancing market development. As at the end of the Reporting Period, the Company provided custody services for 739 funds and provided outsourcing services for 680 funds. As a result, the total size of asset custody and outsourcing services soared to RMB90,990 million, representing an increase of RMB42,398 million as compared with the end of 2016.

(II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB129.11 million, representing a decrease of 49.56% as compared to the same period of 2016.

During the Reporting Period, Hengtai Changcai proactively strengthened compliance and risk management for the investment banking business. Under the premise of strictly controlling the risk of project quality, it has steadily developed projects such as IPO, refinancing and enterprise bonds, as well as vigorously expanded innovative projects such as corporate bonds, asset securitization, merger and reorganization.

1. Equity financing

During the Reporting Period, Hengtai Changcai completed 1 IPO project with the total financing amount of RMB1,380 million.

2. Debt financing

During the Reporting Period, Hengtai Changcai, acting as the lead underwriter, completed 3 enterprise bonds projects with the total financing amount of RMB18,000 million.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Investment Banking Business (Continued)

3. Business of listing on the NEEQ

During the Reporting Period, regulatory authorities intensified supervision over the NEEQ market, which greatly improved the standardization of securities sponsoring and supervision businesses and also intensified competition in the industry. The Company proactively adjusted strategies, enhanced system construction, standardized the quality of business undertaking, strictly controlled business risks and steadily conducted business. During the Reporting Period, it completed 24 listing projects, representing an increase of 41.18% as compared with the same period of 2016; and completed 8 private placements and mergers and reorganizations, representing a decrease of 11.11% as compared with the same period of 2016. It achieved a steady business growth and the greater improvement in the market ranking and share as compared with the same period of 2016 in face of the intensifying overall competition.

(III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB480.95 million, representing an increase of 23.60% as compared to the same period of 2016.

1. Assets management

During the Reporting Period, the supervision over the financial industry in China was intensified, and demand and capital in the market were more tightened than expected, which had an impact on businesses in relation to bond-based and equity-based products invested in asset management business. Under the premise of the strict control of risks of asset management business, the Company developed new products, enriched product mix, formed series of distinctive and competitive products and further expanded the business scale.

As at the end of the Reporting Period, the total size of asset management business of the Company was RMB105,106.78 million, of which the size of collective scheme amounted to RMB3,365.55 million; the size of targeted scheme amounted to RMB63,983.55 million; the size of asset securitization amounted to RMB37,757.68 million.

During the Reporting Period, the Company issued 1 collective scheme and 30 targeted schemes with total additional issue size of RMB23,440.19 million.

During the Reporting Period, as to assets securitization, the Company was engaged in 5 new issue projects of enterprise assets securitization with the total issue size of RMB7,439 million as the manager. It continued to maintain the leading position in the industry in terms of total issue size and volume of enterprise assets securitization business.

During the Reporting Period, the asset management subsidiary of Hengtai Futures issued a total of 6 products with the issue size of RMB209 million. As at the end of the Reporting Period, it operated 16 products with the total operation size of RMB386 million.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Investment Management Business (Continued)

2. Fund management

During the Reporting Period, New China Fund constantly improved its level of investment research and strengthened the construction of an investment research team to promote the enhancement of investment results, while keeping product reserve, channel expansion and maintenance as well as promotion of product sales. It also actively expanded special accounts business, enhanced compliance management and improved the level of risk control.

As at the end of the Reporting Period, New China Fund had 46 publicly-raised funds with total management size amounting to RMB41,787 million, representing a decrease of RMB2,292 million as compared to the end of 2016, primarily attributable to the relative significant amount of net redemption of monetary fund. The size of asset management with special accounts reached RMB14,927 million, representing an increase of RMB1,627 million as compared to the end of 2016.

3. Private equity investment business

During the Reporting Period, in accordance with the requirements of the Management Standards for Private Investment Fund Subsidiary of Securities Company (《證券公司私募投資基金子公司管理規範》) issued by the Securities Association of China on 30 December 2016, Hengtai Capital ceased to carry out new direct investment business, gradually exited from its original direct investment projects and focused on conducting private equity fund business.

As at the end of the Reporting Period, Hengtai Capital utilized its own funds to invest in 13 direct investment projects with the total investment size of RMB854.46 million, exited from 3 direct investment projects amounting to RMB307.89 million in total and managed 12 private equity funds with the total size of RMB9,731.44 million.

4. Alternative investment

During the Reporting Period, in accordance with the requirements of the Management Standards for Alternative Investment Subsidiary of Securities Company (《證券公司另類投資子公司管理規範》) issued by the Securities Association of China on 30 December 2016, Hengtai Pioneer completed its exit from part of its investment projects, strengthened its post-investment management over existing projects and proactively conducted new investment business based on the regulatory requirements. Meanwhile, It further improved system construction, standardized headcounts and operational lines of business investment as well as enhanced internal control and risk management.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB376.77 million, representing an increase of 380.96% as compared to the same period of 2016.

In terms of the stock investment business, by adhering to the principle of prudent operation and the concept of value investment, the Company selected stocks with valuation advantage and liquidity premium as the basis of the portfolio, which was relatively effective to avoid the market's non-systemic risks, ensuring the safety of the assets of the entire portfolio, and obtaining a sustainable and stable return.

In terms of fixed income business, with response to the complex and volatile market environment, the Company strengthened its research on the bond market, adjusted its investment strategies and product mix in a timely manner, attempted to carry out new business, and reasonably controlled risks, thus achieving admirable investment gains.

In terms of the share transfer market-making business, given that the poor liquidity of NEEQ market didn't show any improvement and the overall market environment was in its downturn, the Company strengthened the analysis of the market and implemented prudent investment strategy during the Reporting Period.

(V) International Business

During the Reporting Period, the Company proactively expanded its resource networks for international business, continually explored and fostered various businesses on the overseas market, screened and reserved talents and actively pushed ahead the application for establishment of the Hong Kong subsidiary, which laid a sound foundation for future development of international business.

III. PROSPECTS AND FUTURE PLANS

(I) Development Prospect of the Industry

In respect of regulations on the industry, the regulatory authorities will maintain comprehensive and strict control over the securities industry in the PRC in accordance with laws, continue to improve capabilities of compliance operation and overall risk control of the industry and prevent and resolve financial risks. On 6 July 2017, the CSRC promulgated the revised Regulatory Requirements for Classification of Securities Companies (《證券公司分類監管規定》), which consummates the indexes system for compliance rating so as to implement strict and comprehensive regulatory requirements in accordance with laws, and reinforces the indexes system for evaluation of risk control capability so as to advance the improvement of overall risk control capability in the industry. In respect of capital market construction, priorities are expected to be given mainly to improving the capabilities of securities industry in facilitating the supply-side structural reform and contributing to the real economy.

Section IV Management Discussion and Analysis

III. PROSPECTS AND FUTURE PLANS (CONTINUED)

(I) Development Prospect of the Industry (Continued)

In respect of operation in the industry, the market liquidity remains at a tight balance. Under such circumstances, it is expected that in the second half of 2017, the securities market is very likely to maintain fluctuations within certain ranges, and the brokerage business and margin financing and securities lending business are prone to remain under pressure due to the thin market. Investment banking business is expected to maintain its steady growth momentum regardless of the estimated slightly smaller issue scale of IPO in the second half of 2017 than that in the first half of 2017. In terms of investment management business, the regulatory authorities are expected to proceed with intensive control over channel businesses, and therefore securities companies with active management capacity are expected to further sharpen their competitive edges. Given the stabilization-prone investment environment in the market, the proprietary business is very likely embrace marginal efficacy from the perspective of the industry as a whole.

(II) Development Plan of the Company

In strict adherence to the regulatory requirements, the Company will enhance the internal risk control and compliance management, implement prudent operation and constantly promote the business development of the Company, thus improving its competitiveness.

The Company will continue to accelerate the business transformation of its brokerage business, constantly improve its capability of access to customers and efficiency of customer base expansion, and progressively enlarge its market share through integrating online, offline and other channels. Meanwhile, it will continue to implement the general purchaser's business strategy and improve the capability of asset management so as to vigorously press ahead the development of public funds, private equity funds and buyout funds businesses. In particular, it will gradually enhance the capability of asset management through improving investment research capability and recruiting an excellent team in the market, and boost the transformation of the Company into the wealth management pattern on the whole through scaling up the purchaser's business. In terms of asset securitization business, it will continue to occupy the leading position in the market while replenishing the existing product structure to create effective competitiveness in the market in virtue of improvement of product design capability and subsequent management capability. In terms of investment banking business, it will energetically enrich the business varieties and further strengthen risk control capability in business expansion.

Meanwhile, the Company will speed up research and implementation of the synergistic development system and mode between various businesses to the complexion of reciprocally effective collaboration, thereby improve operation efficiency of each business of the Company and operation performance of the Company as a whole.

Section IV Management Discussion and Analysis

IV. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on the Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB1,852.88 million in aggregate, representing an increase of 11.50% as compared to the corresponding period of 2016. Net profit attributable to shareholders of the Company amounted to RMB361.85 million, representing an increase of 83.17% as compared to the corresponding period of 2016. Earnings per share amounted to RMB0.12, representing an increase of 100.00% as compared to the corresponding period of 2016. Weighted average return on net assets was 3.77%, representing an increase of 1.95 percentage points as compared to the corresponding period of 2016.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB36,601.93 million, representing a decrease of 1.47% as compared to RMB37,148.60 million as at the end of 2016. Total liabilities amounted to RMB26,295.73 million, representing a decrease of 3.37% as compared to RMB27,212.39 million as at the end of 2016. Equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities amounted to RMB9,962.53 million, representing an increase of 3.12% as compared to RMB9,660.96 million as at the end of 2016.

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB14,478.37 million, representing 40% of the Group's total assets; margin assets, which primarily included margin account receivables and financial assets held under resale agreements, amounted to RMB6,271.80 million, representing 17% of the Group's total assets; financial investment assets, which primarily included investments in associates and investments in financial assets, amounted to RMB14,396.80 million, representing 39% of the Group's total assets; property equipment and other operating assets, which primarily included property and equipment, investment properties, intangible assets and others, amounted to RMB1,454.96 million, representing 4% of the Group's total assets.

The Group's gearing ratio and financial leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting account payable to brokerage clients amounted to RMB15,587.44 million, representing an increase of RMB576.39 million or 3.84% as compared to the end period of 2016. The gearing ratio of the Group was 60.20%, representing an increase of 0.03 percentage point from 60.17% as at the end of 2016 (Note: gearing ratio = (total liabilities-account payable to brokerage clients)/(total assets-account payable to brokerage clients)). Financial leverage ratio was 2.60 folds, representing an increase of 0.78% from 2.58 folds as at the end of 2016 (Note: financial leverage ratio = (total assets-account payable to brokerage clients)/equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities).

Section IV Management Discussion and Analysis

IV. FINANCIAL STATEMENTS ANALYSIS (CONTINUED)

(III) Financing Channels and Financing Ability

During the Reporting Period, the Company has met its operating capital requirement through debt financing. Debt financing of the Company included the issuance of corporate bonds, refinancing of funds as well as transfer of rights and interests in margin financing.

During the Reporting Period, the Company accumulatively raised proceeds of RMB500 million from transfer of rights and interests in margin financing and RMB1.1 billion from issuance of beneficiary certificates; Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

(IV) Liquidity Management

The Company focuses on its liquidity management. It has established a specific department responsible for liquidity management. The Company's liquidity management focused on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company has established sound management system and contingency measure for liquidity risk. The Company has prepared monthly liquidity monitor statement. The liquidity monitor index of the Company in each month during the Reporting Period complied with the regulatory requirements.

(V) Cash Flow

Net cash flow of the Group arising from operating activities during the Reporting Period amounted to RMB-2,253.77 million, representing a decrease of RMB2,439.62 million from RMB185.85 million as compared with the corresponding period of 2016. Net cash flow arising from investment activities during the Reporting Period amounted to RMB2,341.44 million, representing an increase of RMB2,585.04 million from RMB-243.60 million as compared with the corresponding period of 2016. Net cash flow arising from financing activities during the Reporting Period amounted to RMB-387.40 million, representing a decrease of RMB1,115.32 million from RMB727.92 million as compared with the corresponding period of 2016. Cash and cash equivalents at the end of the Reporting Period amounted to RMB4,238.78 million, representing a decrease of RMB1.74 million from RMB4,240.52 million as compared with the corresponding period of 2016.

(VI) Changes in Significant Accounting Policies and Estimates

During the Reporting Period, there is neither material change in the significant accounting policies and estimates of the Company, nor the correction of material accounting errors.

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES

(I) Establishment and Disposal of Branch Offices and Securities Branches

As at the end of the Reporting Period, the Company had 2 branch offices and 144 securities branches.

1. Newly established securities branches

During the Reporting Period, the Company completed the establishment of 8 new securities branches, details of which are as follows:

No.	Name of securities branch	Region (PRC)
1	Hengtai Securities Co., Ltd Shanghai Changliu Road Securities Branch (恒泰证券股份有限公司上海長柳路證券營業部)	Shanghai
2	Hengtai Securities Co., Ltd Ningbo Yongjiang Avenue Securities Branch (恒泰证券股份有限公司寧波甬江大道證券營業部)	Ningbo, Zhejiang
3	Hengtai Securities Co., Ltd Beijing Financial Street Second Securities Branch (恒泰证券股份有限公司北京金融大街第二證券營業部)	Beijing
4	Hengtai Securities Co., Ltd Beijing Guang'an Road Securities Branch (恒泰证券股份有限公司北京廣安路證券營業部)	Beijing
5	Hengtai Securities Co., Ltd Beijing Jianguomen Nei Avenue Securities Branch (恒泰证券股份有限公司北京建國門內大街證券營業部)	Beijing
6	Hengtai Securities Co., Ltd Chengdu Renmin South Road Securities Branch (恒泰证券股份有限公司成都人民南路證券營業部)	Chengdu, Sichuan
7	Hengtai Securities Co., Ltd Shenzhen Tonggu Road Securities Branch (恒泰证券股份有限公司深圳銅鼓路證券營業部)	Shenzhen, Guangdong
8	Hengtai Securities Co., Ltd Beijing Beichen West Road Securities Branch (恒泰证券股份有限公司北京北辰西路證券營業部)	Beijing

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES (CONTINUED)

(I) Establishment and Disposal of Branch Offices and Securities Branches (Continued)

2. Relocation of securities branches

During the Reporting Period, 12 securities branches of the Company were relocated, details of which are as follows:

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
1	Hengtai Securities Co., Ltd. Yakeshi Yingbin West Street Securities Branch (恒泰证券股份有限公司牙克石迎宾西街证券营业部)	Hengtai Securities Co., Ltd. Yakeshi Qingsong Road Securities Branch (恒泰证券股份有限公司牙克石青松路证券营业部)	Shop 1-8, First Floor, Complex Building, Xingong Street Office, Qingsong Road East, Yakeshi, Inner Mongolia (內蒙古自治區牙克石市新辦事處青松路東綜合樓一層門市1-8號)
2	Hengtai Securities Co., Ltd. Jilin Zhongxing Street Securities Branch (恒泰证券股份有限公司吉林中興街證券營業部)	Hengtai Securities Co., Ltd. Jilin Tongtan Avenue Securities Branch (恒泰证券股份有限公司吉林通潭大路證券營業部)	Rooms 1 & 2 & 3 & 4, building 5-1, Tongtan West Community, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區通潭西區5-1棟1、2、3、4號工商房)
3	Hengtai Securities Co., Ltd. Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司重慶泰山大道證券營業部)	Hengtai Securities Co., Ltd. Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司重慶泰山大道證券營業部) ¹	Room 13-6, Building 3, No. 40 Donghu South Road, North New District, Chongqing (重慶市北部新區東湖南路40號3幢13-6)
4	Hengtai Securities Co., Ltd. Shenzhen Xiangmihu Road Securities Branch (恒泰证券股份有限公司深圳香蜜湖路證券營業部)	Hengtai Securities Co., Ltd. Shenzhen Fuzhong Road North Securities Branch (恒泰证券股份有限公司深圳福中路北證券營業部)	Room 1603, New World Center, No.6009, Yitian Road, Lianhua Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區蓮花街道益田路6009號新世界商務中心1603室)
5	Hengtai Securities Co., Ltd. Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司深圳梅林路證券營業部)	Hengtai Securities Co., Ltd. Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司深圳梅林路證券營業部) ¹	Room 1001, 10th Floor, Unit B, Block B, South Zone of Excellence Meilin Center Plaza, Meilin Road, Meilin Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田区梅林街道梅林路卓越梅林中心廣場(南區)B座B單元10層1001號)

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES (CONTINUED)

(I) Establishment and Disposal of Branch Offices and Securities Branches (Continued)

2. Relocation of securities branches (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
6	Hengtai Securities Co., Ltd. Shanghai Shuidian Road Securities Branch (恒泰证券股份有限公司上海水电路證券營業部)	Hengtai Securities Co., Ltd. Shanghai Wusong Road Securities Branch (恒泰证券股份有限公司上海吳淞路證券營業部)	Rooms 1201 & 1202, No. 575 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路575號1201、1202室)
7	Hengtai Securities Co., Ltd. Beijing Nanbinhe Road Securities Branch (恒泰证券股份有限公司北京南濱河路證券營業部)	Hengtai Securities Co., Ltd. Beijing Guang'anmenwai Street Securities Branch (恒泰证券股份有限公司北京廣安門外大街證券營業部)	Room 240, second Floor, Shenzhen Hotel, No. 1 Guang'anmenwai Street, Xicheng District, Beijing (北京市西城區廣安門外大街1號深圳大廈2層240號房間)
8	Hengtai Securities Co., Ltd. Hangzhou Chaohui Road Securities Branch (恒泰证券股份有限公司杭州朝暉路證券營業部)	Hengtai Securities Co., Ltd. Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司杭州婺江路證券營業部)	Room 1806, Building 1, No. 217 Wujiang Road, Shangcheng District, Hangzhou, Zhejiang (浙江省杭州市上城區婺江路217號1號樓1806室)
9	Hengtai Securities Co., Ltd. Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天義路證券營業部)	Hengtai Securities Co., Ltd. Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天義路證券營業部) ¹	Unit 01012, No. B-16, Yulongjiayuan Community, Tianyi Road West, Quanning Street North, Bajiazutuan, Xincheng District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市新城區八家組團全寧街北天義路西玉龍家園小區B-16號01012)
10	Hengtai Securities Co., Ltd. Shanghai Zunyi Road Securities Branch (恒泰证券股份有限公司上海遵義路證券營業部)	Hengtai Securities Co., Ltd. Shanghai North Caoxi Road Securities Branch (恒泰证券股份有限公司上海漕溪北路證券營業部)	Room 704, No. 398 North Caoxi Road, Xuhui District, Shanghai (上海市徐匯區漕溪北路398號704室)
11	Hengtai Securities Co., Ltd. Shenzhen Jintian Road Securities Branch (恒泰证券股份有限公司深圳金田路證券營業部)	Hengtai Securities Co., Ltd. Shenzhen Jintian Road Securities Branch (恒泰证券股份有限公司深圳金田路證券營業部) ¹	Room 30A, Shidai-Caifu Building, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道福田區時代財富大廈30A)
12	Hengtai Securities Co., Ltd. Shanghai Longteng Avenue Securities Branch (恒泰证券股份有限公司上海龍騰大道證券營業部)	Hengtai Securities Co., Ltd. Shanghai Shangzhong Road Securities Branch (恒泰证券股份有限公司上海上中路證券營業部)	Room 509, 5th Floor, Block B, No. 495 Shangzhong Road, Xuhui District, Shanghai (上海市徐匯區上中路495號B座5樓509室)

Note:

1. Name of the securities branch remained unchanged after relocation.

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES (CONTINUED)

(II) Establishment and Disposal of Subsidiaries

During the Reporting Period, changes in the Company's major subsidiaries are as follows:

1. On 23 February 2017, Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) completed the change of business registration for the registered capital, and its registered capital increased to RMB180.00 million from RMB90.00 million. New China Fund contributed RMB56.16 million to subscribe 54,000,000 shares of the new additional shares of Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司). Upon completion of capital increase, the shareholding in Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) by New China Fund remained 60%.
2. On 30 March 2017, Hengtai Capital transferred 51% equity interest in Shenzhen Hengtai Xihe Equity Investment Fund Management Co., Ltd. (深圳恒泰義和股權投資基金管理有限公司) held by it to Wang Jun (王軍), a natural person, at a price of RMB851,800. Upon completion of the transfer, Hengtai Capital held no equity interest in Shenzhen Hengtai Xihe Equity Investment Fund Management Co., Ltd. (深圳恒泰義和股權投資基金管理有限公司).
3. On 22 May 2017, Hengtai Pioneer transferred 100% equity interest in Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司) held by it to Hengtai Capital at a price of RMB11,564,500.
4. On 28 June 2017, Hengtai Pioneer completed the change in industrial and commercial registration in relation to the transfer of 70% equity interest in Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司) held by it to GuoYa Asset Management (Shenzhen) Co., Ltd. (國亞資產管理(深圳)有限公司) at a price of RMB20,790,000. All conditions precedent of the disposal and the disposal were fulfilled and completed subsequently on 1 August 2017. Upon completion of the transfer, 30% of equity interest in Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司) was still held by Hengtai Pioneer.

VI. MAJOR FINANCING

(I) Equity Financing

There was no equity financing during the Reporting Period.

Section IV Management Discussion and Analysis

VI. MAJOR FINANCING (CONTINUED)

(II) Debt Financing

During the Reporting Period, the Company issued four beneficiary certificates, raising RMB1,100 million in aggregate, particulars of which are as follows:

Abbreviation	Size of the issuance (RMB'00 million)	Interest rate	Term (day)	Issue date	Expiry date
恒創泰富6號	1	5.70%	728	24 February 2017	22 February 2019
恒創泰富8號	3	5.20%	365	8 March 2017	8 March 2018
恒創泰富9號	2	5.20%	364	10 March 2017	9 March 2018
恒創泰富11號	5	5.78%	365	27 June 2017	27 June 2018

VII. MAJOR INVESTMENT

There was no major investment during the Reporting Period.

VIII. THE USE OF PROCEEDS

On 15 October 2015, the Company raised total proceeds of HK\$1,767,316,320 (equivalent to approximately RMB1.447 billion) through public issue of 450,846,000 H Shares on the Hong Kong Stock Exchange. The actual proceeds received by the Company (deducting the listing related expenses and the amount directly transferred into the national treasury pool due to share selling by the selling shareholders (namely reduction of state-owned shares)) was RMB1,260,497,124.36.

The funds raised as specified in the Prospectus shall be used as the following purposes:

1. about 50% of the funds will be used for the Company's capital-based intermediary business, including margin financing and securities lending and securities-backed lending and for the development of online margin financing and securities lending and securities-backed lending services.
2. about 30% of the funds will be used for the development of the NEEQ market-making business.
3. about 20% of the funds will be used for the development and enhancement of the internet-based finance business of the Company.

As at 30 June 2017, the Company had used RMB742.67 million of the proceeds cumulatively, of which, RMB650.90 million was used for the capital-based intermediary business; and RMB91.77 million was used for the internet-based finance business of the Company. The balance of the proceeds (including interest income) was RMB588.38 million.

Section IV Management Discussion and Analysis

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

During the Reporting Period, there was no acquisition and disposal of the Company's material assets and business merger, nor any major external guarantee, mortgage, pledge, material contingent liabilities that may affect the Company's financial position and operating results.

X. RISK MANAGEMENT

(I) Major Risks and Countermeasures relating to Operation of the Company

1. Credit risk

Credit risk refers to risk arising from a borrower or counterparty's failure to pay back debts as agreed in a timely manner. Credit risk of the Company is mainly generated from two aspects: (i) credit risk from financing business such as margin financing and securities lending and securities-backed lending, namely, risks of losses from failure to perform duties as agreed by customers; (ii) credit risk from credit product investment, namely, asset losses and changes in gains due to default or refusal to pay back principal and interests by the financier or issuer of the credit products.

Credit risk from financing activities can be controlled by (i) determination of credit line upon credit investigation via the internal credit rating system, customer education, daily mark to market, risk reminders to clients and forced liquidation of client's positions; and (ii) conducting due diligence prior to approval of the projects, providing suggestions on risk control over key risks inherent in the project and maintaining constant risk monitoring over projects in performance to address problems once detected. Credit risks from credit product investment can be controlled by establishing pool access standards and caps of investment categories.

In addition, the Company has conducted stress test from time to time to define risk exposure of credit business of the Company.

2. Market risk

Market risk refers to the possibility of losses or reduced income due to overall or partial changes in the market. It consists of risk of price fluctuations of equity assets, interest risk and exchange rate risk. Risk of price fluctuations refers to the risk that the stock market may fluctuate and cause the prices of stocks and other securities products to change, which may incur losses for the Company. Interest risk refers to the risk arising from changes in market interest rates. Exchange rate risk refers to the possibility that the Company may incur losses due to changes in exchange rates during operating activities involving possession or use of foreign exchanges. The Company pays close attention to the foreign exchange market to study such market and make rational decisions. As a result, the changes in exchange rates only have a small impact on the Company. The Company has established a market management risk control system featured with regime, system, authorization mechanism, monitoring and reporting.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

(I) Major Risks and Countermeasures relating to Operation of the Company (Continued)

2. Market risk (Continued)

Regime: the Company formulated corresponding risk management regime over market risk management and market risk indicator monitoring. Besides, it established risk management rules over different business categories, mainly including market risk identification, assessment and monitoring.

System: the market risk management information system of the Company has been launched, which can monitor, calculate and analyze market risks.

Authorization mechanism: the Company has established a decision-making and authorization system with different authority levels having different investment authorization limits.

Monitoring and reporting: risk management department of the Company is in charge of monitoring the risk exposure of relevant business lines and sending risk warning to relevant business departments, and reporting to the Company's chief risk officer, risk management special committee and the Board when necessary; and the business department shall report the proposed risk response measures to the risk management department within time limits.

3. Liquidity risk

Liquidity risk refers to the risk where the Company fails to obtain sufficient funds in time at reasonable costs in order to repay mature debts, fulfill other payment obligations and satisfy the funding needs for carrying on normal business. To minimize liquidity risk, the Company monitors the liquidity risk control indicator and conducts semi-annual liquidity risk stress tests to analyze the Company's ability to withstand short-term and long-term liquidity pressure. The Company monitors and analyzes the matching of the Company's assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of the Company's capital resources, high-quality liquid assets and market liquidity and at the same time strengthens the management of the Company's liquidity during operating hours and carries out relevant financing activities to maintain adequate intraday liquidity position and related financing arrangements. The Company establishes emergency plans for liquidity risks, taking into consideration the scale, nature, complexity, risk levels and results from stress tests, to ensure the Company is able to meet liquidity requirements in emergencies.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

(I) Major Risks and Countermeasures relating to Operation of the Company (Continued)

4. Compliance risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory measures, self-discipline penalties and loss of property or reputation among securities firms because the business activities or employee conduct violate laws, regulations or rules. The Company has established an effective sound compliance risk management system and compliance management organizational system. In order to promote the compliance management of the securities industry, the Company set up the legal and compliance department at an early stage, actively explored various models of compliance management and conducted effective management through compliance review, monitoring, examination, supervision and training. In addition, the Company has formulated and implemented comprehensive procedures for responding to and settling complaints and disputes. The Company has also established internal policies on engagement of external attorneys in the course of the Company's operation or dealing with disputes and legal proceedings when necessary.

5. Operational risk

Operational risk refers to the risk of financial loss resulting from the improper operation in transactional processes or the management system, mainly including internal policy and procedure, information system and inappropriate behavior of the staff. The Company formulated operational risk management system and the supporting process guidance. In addition, the Company established management system and operation guidance for different businesses in compliance with the latest requirements from domestic regulatory authorities and risk management demands of the Company while continuing to make improvements. The Company formulated management mechanism to select, debug, test and monitor the information system. Moreover, the Company conducted staff training through on-site and off-site means to sharpen their risk management awareness.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

(II) Risk Management Measures (to be) Adopted by the Company

1. Establishing an appropriate risk management framework

The Company established a risk management framework led by the Board, which ensures implementation of all risk management measures of the Company by defining the risk management responsibilities at different levels including the Board, the Risk Control and Supervisory Committee, the Audit Committee, the management and the chief risk officer of the Company.

2. Perfecting risk management institutional system

Pursuant to a series of requirements under Norms for the All-rounded Risk Management of Securities Companies (《證券公司全面風險管理規範》) newly amended and promulgated by Securities Association of China, the Company completed the amendments and modifications to Comprehensive Risk Management Measures of Hengtai Securities Co., Ltd (《恒泰證券股份有限公司全面風險管理辦法》) as well as the four special risk management stipulations in relation to market risk, credit risk, liquidity risk and operation risk and made amendments to Management Provisions on Stress Tests of Hengtai Securities Co., Ltd (《恒泰證券股份有限公司壓力測試管理規定》) and Management Provisions on Dynamic Monitoring over Risk Control Indicators Including Net Capital (《淨資本等風險控制指標動態監控管理規定》). Meanwhile, the Company formulated two new systems, i.e. Management Rules on Risks Regarding New Business (Product) (《新業務(產品)風險管理細則》) and Management Rules on Monitoring of Securities Trading (《證券交易監控管理細則》) to reinforce risk management on new businesses (products) and abnormal transactions.

3. Specifying threshold for risk limit

The Company formulated the 2017 risk limit indicators and threshold based on the risk preference system of the Company for the year 2017 and supervised and instructed each business department to carry out relevant businesses within the risk limit.

Section IV Management Discussion and Analysis

X. RISK MANAGEMENT (CONTINUED)

(II) Risk Management Measures (to be) Adopted by the Company (Continued)

4. Improving risk management information system

The Company has upgraded and optimized the comprehensive risk management systems including systems concerning market risk, credit-rating, liquidity risk, risk preference and net capital while conducting upgrades and revamps time and time again over risk management modules embedded in the Company's proprietary business, asset management, margin financing and securities lending, securities pledged repurchase and other businesses. Meanwhile, the Company sorted through risk indicators with regard to the risk preference system, the real-time monitoring system and the comprehensive business platform for asset management of the Company, and completed the threshold setting for the indicators thereof.

5. Fulfilling the work concerning stress test

The Company has completed the comprehensive stress test under individualized circumstance for the year 2017 and that under general circumstance for the first half of 2017 and conducted special stress test on the Company's asset management, asset securitization, financing campaigns and new businesses, etc. Meanwhile, the Company also conducted stress tests on the utilization quota and loss ceiling of the funds of securities investment department and matters in relation to proposed capital increase of subsidiaries.

6. Strengthening risk assessment

The Company conducted risk review and assessment with regard to asset management, asset securitisation and NEEQ market-making projects and carried out special risk analysis on its position status in the light of the development of the proprietary business, asset management and NEEQ market-making business of the Company.

7. Devoting more efforts to risk monitoring

The Company carried out real-time monitoring over risk control indicators and risk limit indicators such as net capital of the Company so as to place the businesses and risks of the Company within the reach of the established risk preference of the Company. Meanwhile, it strengthened monitoring over abnormal transactional practice by brokerage clients, gains or losses of securities held under proprietary business and exceptional fluctuations.

Section V Other Material Particulars

I. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(I) Implementation of the 2016 Profit Distribution Plan

The resolution in relation to the 2016 annual profit distribution plan was considered and approved at the 2016 annual general meeting of the Company held on 16 June 2017, according to which, no profit distribution would be made by the Company for the year ended 31 December 2016.

(II) The 2017 Interim Profit Distribution Plan

The Company did not have any profit distribution plan for the first half of 2017.

II. SHARE OPTION SCHEME OR EQUITY INCENTIVE SCHEME

During the Reporting Period, the Company did not adopt nor implement any share option scheme or equity incentive scheme.

III. SIGNIFICANT LAWSUITS

During the Reporting Period, the Company was not involved in any significant lawsuits or arbitration cases.

IV. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

1. The Company entered into a property lease contract with China Everbright Bank, Hohhot Branch on 1 September 2015, pursuant to which the Company leased from China Everbright Bank, Hohhot Branch the space of 14–18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, China for a term of 1 year commencing from 1 September 2015. The property lease contract was renewed from 1 September 2016. The rental paid by the Company for the Reporting Period was RMB3,001,500.
2. The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the Unit 1101, 11/F, China Life Centre, Financial Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The rental paid by the Company for the Reporting Period was RMB9,991,000.

V. ENGAGEMENT OF AUDITORS

During the Reporting Period, the Company re-appointed Ruihua Certified Public Accountants LLP as its external domestic auditor for the year 2017 for providing relevant audit service based on China Accounting Standards for Business Enterprises. The Company also re-appointed RSM Hong Kong as its external international auditor for the year 2017 for providing relevant audit and review services based on the International Financial Reporting Standards.

Section V Other Material Particulars

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company exerts its effort in maintaining high quality corporate governance in order to protect the interest of its shareholders and enhance its corporate value and accountability. During the Reporting Period, the Company has been in strict compliance with all the code provisions of Corporate Governance Code (if applicable). The Company will continue to review and enhance its corporate governance practice so as to ensure the compliance with the Corporate Governance Code.

VII. CORPORATE GOVERNANCE

(I) General Meeting

The Articles of Association and the Rules of Procedure for General Meetings have stipulated the rights and obligations of the Shareholders and the convocation, voting and proposal of general meetings. During the Reporting Period, the Company convened 1 general meeting.

(II) Operation of the Board and its Special Committees

The Board comprises 8 Directors, including 2 executive Directors (Mr. Pang Jiemin (*Chairman*) and Mr. Wu Yigang (*Vice Chairman*)), 3 non-executive Directors (Mr. Zhang Tao, Mr. Chen Guanglei and Mr. Sun Chao) and 3 independent non-executive Directors (Mr. Peng Diyun, Ms. Zhou Jianjun and Dr. Lam Sek Kong).

The Board consists of 4 special committees, including Strategy and Investment Committee, Risk Control and Supervisory Committee, Audit Committee and Remuneration and Nomination Committee. The special committees of the Board shall, within their terms of reference specified in the rules of respective procedures, conduct work and be accountable to the Board.

Composition of Special Committees of the Board:

Strategy and Investment Committee:	Pang Jiemin (<i>Chairman of the Committee</i>), Sun Chao and Lam Sek Kong
Risk Control and Supervisory Committee:	Zhang Tao and Wu Yigang
Audit Committee:	Zhou Jianjun (<i>Chairman of the Committee</i>), Zhang Tao and Lam Sek Kong
Remuneration and Nomination Committee:	Peng Diyun (<i>Chairman of the Committee</i>) and Zhou Jianjun

During the Reporting Period, the Board convened 5 meetings to consider 34 proposals; the Audit Committee, the Risk Control and Supervisory Committee and the Remuneration and Nomination Committee convened 2 meetings, 2 meetings and 2 meetings, respectively.

The Audit Committee has reviewed and confirmed this report.

(III) Operation of the Supervisory Committee

Supervisory Committee consists of 3 members, namely, Mr. Guo Liwen, the chairman, Ms. Pei Jingjing, the shareholder representative Supervisor, and Mr. Wang Hui, the employee representative Supervisor. During the Reporting Period, the Supervisory Committee convened 1 meeting to consider 6 proposals. The Supervisors performed their duties diligently and supervised the operation of the Company in accordance with relevant laws and regulations and the relevant requirements of the Articles of Association, so as to protect the legitimate interests of the Company, the Shareholders and investors.

VIII. COMPLIANCE WITH MODEL CODE

The Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors and Supervisors. The Company has made specific enquiry with all Directors and Supervisors, and all Directors and Supervisors confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

IX. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

No Directors or Supervisors entered into any service contract with the Company or its subsidiaries which shall be compensated (except for statutory compensation) upon termination within one year.

X. DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, no Directors, Supervisors or their respective spouse or children under the age of 18 purchase the shares or debentures of the Company to obtain rights, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the Directors, Supervisors or their respective spouse or children under the age of 18 in any other body corporate.

XI. EVALUATION RESULTS OF THE COMPANY BY SECURITIES REGULATORY AUTHORITY

In the evaluation of securities companies of 2017 carried out by the CSRC, the Company was assigned CCC rating in C class.

XII. MAJOR PENALTIES AND RECTIFICATIONS OF IRREGULARITIES

When the Department of Securities and Fund Institution Supervision under the CSRC conducted the field inspection at the Company in the second half of October in 2016, it noticed the following violations of the Company: (1) certain business departments marketed private asset management products to non-specified objects through WeChat under the namesake of the Company; and (2) there were loopholes in the internal control and management system with regard to the transactional practices of the practitioners when dealing with the shares. On 17 January 2017, the Company received the Notice of Rectification Measures on and the Decision on Issuing a Warning Letter to Hengtai Securities Co., Ltd (Notice on Administrative Regulatory Measures [2017] No. 1) (《關於對恒泰證券股份有限公司採取責令改正、出具警示函措施的決定》(行政監管措施決定書[2017]1號)) from the CSRC, and the Prior Notification on Punishment (Ji Gou Bu Han[2017]No.150) (《責令處分事先告知書》(機構部函[2017]150號)) from the Department of Securities and Fund Institution Supervision under the CSRC, pursuant to which, the Company was instructed to impose punishment on Mr. Niu Zhuang, the President of the Company, and Ms. Yu Fang, the Chief Compliance Officer of the Company. The Company took this very seriously and timely adopted appropriate measures to prevent re-occurrence of such incidents in the future as well as launching internal accountability procedure. For details, please refer to the relevant disclosures set out in "XI. Other Important Particulars and Subsequent Events" under Section 7 "Other Material Particulars" of the 2016 annual report of the Company.

Section V Other Material Particulars

XII. MAJOR PENALTIES AND RECTIFICATIONS OF IRREGULARITIES (CONTINUED)

On 12 April 2017, the Company formally received the Notice of Decision on Disciplinary Actions To Be Taken against Mr. Niu Zhuang and Ms. Yu Fang (Notice on Administrative Regulatory Measures [2017] No. 48) (《關於牛壯、于芳採取責令處分措施的決定》(行政監管措施決定書[2017]48號)) from the CSRC, pursuant to which, the Company was instructed to impose punishment on Mr. Niu Zhuang, the President of the Company, and Ms. Yu Fang, the Chief Compliance Officer of the Company, in accordance with the requirements of the relevant rules of the Company within 10 working days from the date of the notice. Thereafter, the Company took disciplinary actions against Mr. Niu Zhuang, the President of the Company, and Ms. Yu Fang, the Chief Compliance Officer in accordance with the Accountability Measures of Hengtai Securities Co., Ltd. (《恒泰證券股份有限公司問責處理辦法》), by circularizing a notice of internal criticism and imposing fines.

XIII. OTHER SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 28 July 2017, the Company received the Disciplinary Action Verdict (Zhong Ji Xie Chu Fen [2017] No. 3) (《紀律處分決定書》(中基協處分[2017]3號)) from the Asset Management Association of China, pursuant to which, the Asset Management Association of China imposed punishment on the Company for the violations by three asset-backed specialized schemes under the management of the Company and resolved to suspend the acceptance of filing by the Company for its asset-backed specialized schemes for a period of six months commencing from 1 August 2017. Currently, the Company is undergoing rectifications proactively and conscientiously, and will continue to reinforce the construction of business systems and improve the professional standards of business in accordance with relevant laws, administrative regulations and requirements of the Asset Management Association of China. For details, please refer to the announcement of the Company published on the website of Hong Kong Stock Exchange on 31 July 2017.

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, to the knowledge of the Directors after having made reasonable enquiries, the following persons (excluding the Directors, Supervisors or chief executives of the Company) had interests or short positions in shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (shares)	Approximate percentage of total number of issued shares of the Company ¹ (%)	Approximate percentage of the Company's total issued Domestic Shares/ H Shares ¹ (%)	Long position/ short position/ shares available for lending
Huarong Infrastructure ²	Domestic Shares	Beneficial owner	155,079,698	5.95	7.20	Long position
Finance Street Capital ²	Domestic Shares	Interests of controlled corporation	155,079,698	5.95	7.20	Long position
Finance Street Investment ³	Domestic Shares	Beneficial owner	165,418,345	6.35	7.68	Long position
Finance Street Xihuan Properties ⁴	Domestic Shares	Beneficial owner	211,472,315	8.12	9.82	Long position
Huarong Investment ⁴	Domestic Shares	Interests of controlled corporation	211,472,315	8.12	9.82	Long position
SASAC Xicheng District ^{2, 3, 4}	Domestic Shares	Interests of controlled corporation	531,970,358	20.42	24.70	Long position
Baotou Huazi ⁵	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long position
Tomorrow Holding ⁵	Domestic Shares	Interests of controlled corporation/parties acting in concert	443,868,000	17.04	20.61	Long position
Zhongchang Hengyuan ⁵	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long position
Shanghai Yida ⁵	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long position
Huifa Investment ⁶	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long position
Ms. Chen Shan ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Mr. Shen Weimin ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Huijin Jiaye ⁷	Domestic Shares	Beneficial owner	206,182,000	7.92	9.57	Long position
Shanghai Xishida ⁷	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position
Shenzhen Zhongxin ⁷	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Name of substantial shareholders	Class of shares	Nature of interest	Number of shares held (shares)	Approximate percentage of total number of issued shares of the Company ¹ (%)	Approximate percentage of the Company's total issued Domestic Shares/ H Shares ¹ (%)	Long position/ short position/ shares available for lending
Shanghai Julu ⁷	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position
Mr. Ci Penghui ⁷	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position
Qingyun Intercontinental ⁸	Domestic Shares	Beneficial owner	226,961,315	8.71	10.54	Long position
Ningbo Shike ⁸	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long position
Shaanxi Hongya ⁸	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long position
Mr. Duan Shuai ⁸	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long position
Mr. Sun Yuanlin ⁸	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long position
Hongzhi Huitong ⁹	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long position
Shaanxi Tianchen ⁹	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Hangzhou Ruiqi ⁹	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Suzhou Bingtai ⁹	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Mr. Zhang Li ⁹	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long position
Nice Hill International Limited ¹⁰	H Shares	Beneficial owner	39,540,000	1.52	8.77	Long position
Mason Investments Limited ¹⁰	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long position
Mason Assets Limited ¹⁰	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long position
Mason Financial Services Group Limited ^{10, 11}	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long position
Mason Financial Services Group Limited ^{10, 12}	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long position
Mason Financial Holdings Limited ¹⁰	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long position

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Notes:

1. As at 30 June 2017, the Company has issued a total of 2,604,567,412 shares, including 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
2. Huarong Infrastructure is wholly-owned by Finance Street Capital, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.
3. Finance Street Investment is wholly-owned by SASAC Xicheng District. Therefore, SASAC Xicheng District is deemed to be interested in 165,418,345 Domestic Shares held by Finance Street Investment.
4. 90.00% of the equity interest in Finance Street Xihuan Properties is held by Huarong Investment, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Huarong Investment and SASAC Xicheng District is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
5. Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida have entered into an agreement to act in concert in respect of their shareholding in the Company. Therefore, each of Tomorrow Holding, Baotou Huazi (which is held by Tomorrow Holding as to approximately 54.32%), Zhongchang Hengyuan and Shanghai Yida is deemed to be interested in 443,868,000 Domestic Shares (being an aggregate of 308,000,000, 75,100,000 and 60,768,000 Domestic Shares held by Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida, respectively).
6. 53.33% and 46.67% of the equity interest in Huifa Investment is held by Mr. Shen Weimin and Ms. Chen Shan, respectively. Therefore, each of Mr. Shen Weimin and Ms. Chen Shan is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Investment.
7. 99.99% of the equity interest in Huijin Jiaye is held by Shanghai Xishida. 95.00% of the equity interest in Shanghai Xishida is held by Shenzhen Zhongxin. 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. 35.00% of the equity interest in Shanghai Julu is held by Mr. Ci Penghui. Therefore, each of Shanghai Xishida, Shenzhen Zhongxin, Shanghai Julu, and Mr. Ci Penghui is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.
8. 70.00% of the equity interest in Qingyun Intercontinental is held by Ningbo Shike, which is in turn held by Shaanxi Hongya as to 99.60%. Shaanxi Hongya is held by Mr. Duan Shuai and Mr. Sun Yuanlin as to 49.00% and 51.00%, respectively. Moreover, 0.40% of the equity interest in Ningbo Shike is held by Mr. Sun Yuanlin. Therefore, each of Ningbo Shike, Shaanxi Hongya, Mr. Duan Shuai and Mr. Sun Yuanlin is deemed to be interested in 226,961,315 Domestic Shares held by Qingyun Intercontinental.

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Notes: (Continued)

9. 97.08% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 94.00% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhang Li. Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhang Li is deemed to be interested in 154,000,000 Domestic Shares held by Hongzhi Huitong.
10. Nice Hill International Limited is wholly-owned by Mason Investments Limited, which is in turn wholly-owned by Mason Assets Limited; while Mason Assets Limited is wholly-owned by Mason Financial Services Group Limited (which is located in the Marshall Islands); Mason Financial Services Group Limited (which is located in the Marshall Islands) is wholly-owned by Mason Financial Services Group Limited (which is located in the Cayman Islands), which is in turn wholly-owned by Mason Financial Holdings Limited. Therefore, each of Mason Investments Limited, Mason Assets Limited, Mason Financial Services Group Limited, Mason Financial Services Group Limited and Mason Financial Holdings Limited is deemed to be interested in 39,540,000 H Shares held by Nice Hill International Limited.
11. Mason Financial Services Group Limited referred is located in Marshall Islands.
12. Mason Financial Services Group Limited referred is located in Cayman Islands.

Save as disclosed above, as at 30 June 2017, the Company is not aware of any other persons (excluding the Directors, Supervisors and chief executives of the Company) having the interests or short positions in shares or underlying shares of the Company required to be recorded in the register under Section 336 of the SFO.

Section VI Changes in Shareholdings and Particulars about Shareholders

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

As at 30 June 2017, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code, in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), save as disclosed as follows:

Name	Class of shares	Nature of interest	Number of shares held (Shares)	Approximate percentage of total number of issued shares of the Company ¹ (%)	Approximate percentage of the Company's issued Domestic Shares/H Shares ¹ (%)	Long position/ short position/ shares available for lending
Supervisor						
Ms. Pei Jingjing ²	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long position

Notes :

- As at 30 June 2017, the Company has issued a total of 2,604,567,412 shares, including 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
- 99.99% and 0.01% of the equity interest in Huijin Jiaye are held by Shanghai Xishida and Ms. Pei Jingjing, a Supervisor of the Company, respectively. 95% and 2% of the equity interest in Shanghai Xishida are held by Shenzhen Zhongxin and Ms. Pei Jingjing, respectively. Approximately 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. Each of Ms. Pei Jingjing and Mr. Ci Penghui holds 35% of equity interest in Shanghai Julu. Therefore, Ms. Pei Jingjing is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.

III. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

Section VII Directors, Supervisors, Senior Management and Employees

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There was no change in information of Directors and Supervisors which are required to be disclosed pursuant to Rule 13.51B of the Listing Rules as compared with those disclosed in the 2016 annual report, save for the followings:

(I) Changes in Directors

On 16 June 2017, the appointment of Ms. Gao Liang as a non-executive Director of the third session of the Board has been approved by the Shareholders at the 2016 annual general meeting. The qualification of Ms. Gao Liang as a Director is subject to approval of the relevant governmental authorities of the PRC, and her term shall commence from the date of approval of the relevant governmental authorities of the PRC until the expiry of the term of the third session of the Board.

(II) Changes in Supervisors

There was no change during the Reporting Period.

(III) Changes in Senior Management

There was no change during the Reporting Period.

(IV) Changes in Information of Directors and Supervisors

1. Mr. Peng Diyun, an independent non-executive Director, served as a dean of the Academic Affairs Division of Nanchang University on 20 February 2017. He ceased to be a dean of School of Public Administration of Nanchang University.
2. Mr. Chen Guanglei, a non-executive Director, resigned as an independent director of Zhengzhou Qianwei Yangchu Food Co., Ltd. (鄭州千味央廚食品股份有限公司) on 30 June 2017.

II. EMPLOYEES, REMUNERATION POLICY AND TRAINING

At the end of the Reporting Period, the Group had 2,053 employees in total, including 1,545 employees of the Company and 508 employees of its subsidiaries.

The remuneration of employees comprises of basic wage, allowances, benefits and others. The Company has made contributions to include, but not limited to, social insurance and housing provident fund on behalf of employees in accordance with relevant requirements of the PRC. The Company has strictly complied with the Labor Law of the PRC, Labor Contract Law of the PRC and other external laws and regulations, and established a sound human resources management system and process, standardized employment procedures, so as to effectively protect the rights and interests of the employees.

The Company has always paid special attention to staff training. The Company made surveys and analysis in respect of training needs at the beginning of the year and compiled the annual training plan upon consolidation, statistics and analysis of the data collected. During the Reporting Period, 24 external trainings and 7 internal on-site trainings were organized, providing trainings for 42 employees and 448 employees respectively.

Independent Review Report



TO THE BOARD OF DIRECTORS OF HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liabilities under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

INTRODUCTION

We have reviewed the interim financial information set out on pages 44 to 84 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

RSM Hong Kong

Certified Public Accountants
Hong Kong

25 August 2017

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017 (unaudited)	2016 (unaudited)
Revenue			
Fees and commission income	3	921,830	1,086,769
Interest income	4	433,477	400,071
Net investment income	5	491,578	159,980
Total revenue		1,846,885	1,646,820
Other income and gains	6	5,994	15,024
Total revenue and other income		1,852,879	1,661,844
Fees and commission expenses	7	(76,851)	(80,384)
Interest expenses	8	(342,235)	(362,735)
Staff costs	9	(523,088)	(533,648)
Depreciation and amortisation	10	(44,401)	(38,539)
Business tax and surcharges		(9,135)	(62,183)
Other operating expenses	11	(331,475)	(309,311)
(Impairment losses)/reversal of impairment losses	12	(9,411)	6,196
Total operating expenses		(1,336,596)	(1,380,604)
Operating profit		516,283	281,240
Share of profits less losses of associates		(202)	(1,050)
Profit before tax		516,081	280,190
Income tax expense	13	(122,851)	(52,049)
Profit for the period		393,230	228,141
Attributable to:			
Ordinary shareholders of the Company		361,851	197,545
Non-controlling interests		31,379	30,596
		393,230	228,141
Earnings per share			
Basic and diluted	15	RMB0.12	RMB0.06

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2017 (unaudited)	2016 (unaudited)
Profit for the period		393,230	228,141
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Available-for-sale financial assets:			
Net movement in the investment revaluation reserve		42,142	4,668
Other comprehensive income for the period, net of tax	14	42,142	4,668
Total comprehensive income for the period		435,372	232,809
Attributable to:			
Ordinary shareholders of the Company		403,571	204,313
Non-controlling interests		31,801	28,496
		435,372	232,809

Condensed Consolidated Statement of Financial Position

As at 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
Non-current assets			
Property and equipment	17	504,236	510,056
Investment properties		18,702	19,114
Goodwill		43,739	43,739
Intangible assets		104,258	99,717
Interest in associates		8,675	7,958
Available-for-sale financial assets	18	858,473	2,398,865
Financial assets held under resale agreements	19	614,910	614,910
Refundable deposits		611,708	466,710
Deferred tax assets		73,283	90,192
Other non-current assets	20	67,606	186,012
Total non-current assets		2,905,590	4,437,273
Current assets			
Margin account receivables	21	4,571,671	5,145,143
Other current assets	22	643,137	697,760
Available-for-sale financial assets	18	879,059	1,366,097
Financial assets held under resale agreements	19	1,085,222	915,323
Financial assets at fair value through profit or loss	23	12,618,725	8,322,935
Cash held on behalf of brokerage clients	24	10,141,941	11,947,659
Clearing settlement funds		996,506	1,109,951
Cash and bank balances		2,728,211	3,206,455
Subtotal		33,664,472	32,711,323
Assets classified as held for sale	37	31,870	—
Total current assets		33,696,342	32,711,323
Total assets		36,601,932	37,148,596

Condensed Consolidated Statement of Financial Position

As at 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
Current liabilities			
Debt instruments issued	26	2,800,000	3,132,624
Placements from a financial institution		900,000	900,000
Account payables to brokerage clients	27	10,708,290	12,201,337
Employee benefit payables		280,945	515,352
Other current liabilities	28	3,891,821	1,695,912
Current tax liabilities		13,474	124,548
Financial assets sold under repurchase agreements	29	3,929,285	4,993,186
Subtotal		22,523,815	23,562,959
Liabilities directly associated with assets classified as held for sale	37	8,640	–
Total current liabilities		22,532,455	23,562,959
Net current assets		11,163,887	9,148,364
Total assets less current liabilities		14,069,477	13,585,637
Non-current liabilities			
Debt instruments issued	26	3,141,983	3,040,000
Financial assets sold under repurchase agreements	29	590,000	600,000
Deferred revenue		8,433	8,090
Deferred tax liabilities		22,862	1,342
Total non-current liabilities		3,763,278	3,649,432
NET ASSETS		10,306,199	9,936,205

Condensed Consolidated Statement of Financial Position

As at 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
Equity			
Share capital	30	2,604,567	2,604,567
Share premium		1,665,236	1,665,236
Perpetual capital securities	31	1,500,000	1,500,000
Reserves		4,192,728	3,891,157
Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities		9,962,531	9,660,960
Non-controlling interests		343,668	275,245
TOTAL EQUITY		10,306,199	9,936,205

Approved by the Board of Directors on 25 August 2017 and are signed on its behalf by:

Pang Jiemin
Chairman of Board of Directors

Wu Yigang
Vice Chairman of Board of Directors

Yang Shufei
Chief Financial Officer

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	(Unaudited)										
	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities										
	Share capital	Share premium	Perpetual capital securities	Surplus reserve	General risk reserve	Transactions risk reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2016	2,604,567	1,661,236	1,500,000	425,812	537,026	518,253	54,324	2,230,450	9,531,668	201,364	9,733,032
Total comprehensive income for the period	-	-	-	-	-	-	6,768	197,545	204,313	28,496	232,809
Dividend paid (Note 16)	-	-	-	-	-	-	-	(362,457)	(362,457)	-	(362,457)
Capital contribution by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	7,350	7,350
Changes in equity for the period	-	-	-	-	-	-	6,768	(164,912)	(158,144)	35,846	(122,298)
At 30 June 2016	2,604,567	1,661,236	1,500,000	425,812	537,026	518,253	61,092	2,065,538	9,373,524	237,210	9,610,734
At 1 January 2017	2,604,567	1,665,236	1,500,000	449,200	598,597	547,291	87,350	2,208,719	9,660,960	275,245	9,936,205
Total comprehensive income for the period	-	-	-	-	-	-	41,720	361,851	403,571	31,801	435,372
Dividend paid (Note 16)	-	-	-	-	-	-	-	(102,000)	(102,000)	-	(102,000)
Capital contribution by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	37,440	37,440
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(818)	(818)
Changes in equity for the period	-	-	-	-	-	-	41,720	259,851	301,571	68,423	369,994
At 30 June 2017	2,604,567	1,665,236	1,500,000	449,200	598,597	547,291	129,070	2,468,570	9,962,531	343,668	10,306,199

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Note	2017 (unaudited)	2016 (unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(2,253,771)	185,848
Proceeds from disposal of property and equipment and intangible assets		754	66
Deposit received for disposal of a subsidiary		5,000	–
Disposal of a subsidiary		797	–
Dividend income and interest income received from available-for-sale financial assets		2,842	11,913
Proceeds from disposal of available-for-sale financial assets		2,529,041	435,374
Purchases of available-for-sale financial assets		(173,768)	(617,828)
Purchases of property and equipment, intangible assets and other non-current assets		(45,656)	(75,914)
Other investing cash flows (net)		22,432	2,790
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		2,341,442	(243,599)
Capital contribution by non-controlling shareholders of a subsidiary		37,440	7,350
Proceeds from issuance of debt instruments		1,100,000	1,500,000
Repayments of debt instruments		(1,300,000)	(500,000)
Interest paid for financing activities		(122,844)	(45,881)
Dividends paid		(102,000)	(102,000)
Other financing cash flows (net)		–	(131,546)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(387,404)	727,923
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(299,733)	670,172
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		4,539,201	3,569,426
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(684)	919
CASH AND CASH EQUIVALENTS AT END OF PERIOD	25	4,238,784	4,240,517

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2016 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016 except as stated below.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not have any significant effect on the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

3. FEES AND COMMISSION INCOME

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Fees and commission income arising from:		
– Securities brokerage business	422,641	522,053
– Assets management business	318,907	280,573
– Underwriting and sponsoring business	37,623	185,422
– Future brokerage business	34,587	25,724
– Financial advisory business	84,336	60,416
– Investment advisory business	4,968	11,516
– Custody business	18,768	1,065
Total	921,830	1,086,769

4. INTEREST INCOME

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Interest income arising from:		
– Margin financing and securities lending	195,160	221,937
– Deposits in financial institutions	195,483	165,047
– Financial assets held under resale agreements	42,309	13,087
– Others	525	–
Total	433,477	400,071

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

5. NET INVESTMENT INCOME

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Net realised gains from disposal of available-for-sale financial assets	116,419	19,780
Dividend income and interest income from available-for-sale financial assets	2,256	9,139
Net gains from financial instruments at fair value through profit or loss	372,024	99,159
Net gains from derivative financial instruments	21	17,723
Interest income from investments classified as receivables	858	14,179
Total	491,578	159,980

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Foreign exchange (losses)/gains	(684)	1,470
Rental income	1,510	1,504
Government grants	1,425	8,007
Losses on disposal of property and equipment and intangible assets	(525)	(17)
Others	4,268	4,060
Total	5,994	15,024

7. FEES AND COMMISSION EXPENSES

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Expenses arising from:		
– Securities brokerage business	75,407	78,755
– Underwriting and sponsoring business	1,444	1,379
– Investment advisory business	–	250
Total	76,851	80,384

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

8. INTEREST EXPENSES

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Interest expenses arising from:		
– Account payables to brokerage clients	22,489	22,215
– Placements from a financial institution	17,951	11,903
– Financial assets sold under repurchase agreements	104,968	138,938
– Debts instruments issued	134,924	157,454
– Other investors under the assets management schemes	52,143	32,081
– Limited partners under limited partnerships	9,760	144
Total	342,235	362,735

9. STAFF COSTS

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Short-term benefits	495,658	511,337
Defined contribution plan	27,430	22,311
Total	523,088	533,648

The Group is required to participate in pension schemes in the People's Republic of China ("PRC") 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 contributions described above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

10. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Depreciation of property and equipment	17,750	15,622
Depreciation of investment properties	412	413
Amortisation of intangible assets	16,294	13,311
Amortisation of leasehold improvements and long-term prepaid expenses	9,945	9,193
Total	44,401	38,539

11. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Electronic equipment operating expenses	43,395	44,653
Consulting fees	34,216	35,809
Rental expenses	59,241	54,757
Miscellaneous office expenses	6,585	17,218
Business travel expenses	17,742	22,927
Securities investor protection funds	26,749	8,944
Postal and communication expenses	7,625	7,669
Business entertainment expenses	10,811	9,245
Auditor's remuneration	3,930	4,342
Utilities and building management fees	6,639	7,111
Other commission expenses	32,908	34,151
Others	81,634	62,485
Total	331,475	309,311

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

12. IMPAIRMENT LOSSES/(REVERSAL OF IMPAIRMENT LOSSES)

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Reversal of impairment losses for margin financing and securities lending	(3,109)	(7,861)
(Reversal of impairment losses)/impairment losses for financial assets held under resale agreements	(1,121)	1,141
Impairment losses for other current assets	13,641	524
Total	9,411	(6,196)

13. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Current tax	103,618	(6,833)
Deferred tax	19,233	58,882
Total	122,851	52,049

The provision for the PRC corporate income tax is calculated based on the statutory income tax rate of 25%.

14. OTHER COMPREHENSIVE INCOME FOR THE PERIOD

Components of other comprehensive income, including reclassification adjustments:

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Fair value gains on available-for-sale financial assets	172,608	26,004
Less: Transfer to profit or loss upon disposal	(116,419)	(19,780)
Tax effect	(14,047)	(1,556)
Total	42,142	4,668

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

15. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Earnings		
Profit for the period attributable to ordinary shareholders of the Company	361,851	197,545
Less: Dividends for cumulative perpetual capital securities required	(50,581)	(50,860)
Total	<u>311,270</u>	<u>146,685</u>
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	<u>2,604,567</u>	<u>2,604,567</u>

For the six months ended 30 June 2017, there were no dilutive potential ordinary shares (six months ended 30 June 2016: Nil), so the diluted earnings per share were the same as the basic earnings per share.

16. DIVIDENDS

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Final dividend in respective of the financial year ended 31 December 2015 of RMB0.1 per ordinary share	—	260,457
Dividend paid to holders of perpetual capital securities	<u>102,000</u>	<u>102,000</u>
Total	<u>102,000</u>	<u>362,457</u>

The dividend paid during the six months ended 30 June 2017 was RMB102,000 thousand being dividend calculated at 6.80% p.a. on the nominal value of perpetual capital securities for the period from 29 June 2016 to 28 June 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

16. DIVIDENDS (CONTINUED)

The dividend paid during the six months ended 30 June 2016 were (i) approximately RMB260,457 thousand being final dividend of RMB1 per ten shares in respect of the year ended 31 December 2015 and (ii) RMB102,000 thousand being dividend calculated at 6.80% p.a. on the nominal value of perpetual capital securities for the period from 29 June 2015 to 28 June 2016.

The directors do not recommend the payment of dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

17. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property and equipment of approximately RMB17,972 thousand (unaudited) (six months ended 30 June 2016: RMB64,532 thousand (unaudited)).

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017 (unaudited)	31 December 2016 (audited)
Non-current		
At fair value:		
Assets management schemes	10,255	1,584,590
Investment funds	—	8,230
Equity securities	837,218	795,045
Subtotal	847,473	2,387,865
At cost:		
Equity securities	11,000	11,000
Total	858,473	2,398,865
Analysis into:		
Listed outside Hong Kong	183,523	160,160
Unlisted	674,950	2,238,705
Total	858,473	2,398,865

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

	30 June 2017 (unaudited)	31 December 2016 (audited)
Current		
At fair value:		
Debt securities	50,480	97,400
Assets management schemes	30,414	21,207
Investment funds	289,945	338,469
Equity securities	508,220	909,021
Total	879,059	1,366,097
Analysis into:		
Listed outside Hong Kong	548,700	989,681
Unlisted	330,359	376,416
Total	879,059	1,366,097

19. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Analysis by collateral type:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Non-current		
Equity securities	618,000	618,000
Less: Impairment	(3,090)	(3,090)
Subtotal	614,910	614,910
Current		
Debt securities	961,444	568,444
Equity securities	124,400	348,622
Less: Impairment	(622)	(1,743)
Subtotal	1,085,222	915,323
Total	1,700,132	1,530,233

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

19. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

Analysis by market:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Non-current		
Shenzhen Stock Exchange	618,000	618,000
Less: Impairment	(3,090)	(3,090)
Subtotal	614,910	614,910
Current		
Inter-bank market	90,000	–
Shanghai Stock Exchange	702,933	765,592
Shenzhen Stock Exchange	291,058	151,463
Others	1,853	11
Less: Impairment	(622)	(1,743)
Subtotal	1,085,222	915,323
Total	1,700,132	1,530,233

As at 30 June 2017, the Group did not hold any collateral under resale agreements for which the Group was permitted to sell or re-pledge in the absence of default for the transactions (31 December 2016: Nil).

20. OTHER NON-CURRENT ASSETS

	30 June 2017 (unaudited)	31 December 2016 (audited)
Leasehold improvements and long-term prepaid expenses (<i>note</i>)	35,654	37,411
Long-term receivables	11,652	8,301
Investments classified as receivables	20,300	140,300
Total	67,606	186,012

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

20. OTHER NON-CURRENT ASSETS (CONTINUED)

Note:

The movements of leasehold improvements and long-term prepaid expenses are as below:

	30 June 2017 (unaudited)	31 December 2016 (audited)
At beginning of the period/year	37,411	37,231
Transfer in	449	183
Additions	7,739	20,978
Amortisation	(9,945)	(20,981)
At the end of the period/year	35,654	37,411

21. MARGIN ACCOUNT RECEIVABLES

	30 June 2017 (unaudited)	31 December 2016 (audited)
Individuals	4,573,660	5,134,555
Institutions	23,700	39,386
Less: Impairment	(25,689)	(28,798)
Total	4,571,671	5,145,143

The fair value of collaterals for margin financing and securities lending business is analysed as follows:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Equity securities	12,679,115	13,746,492
Cash	597,793	634,263
Total	13,276,908	14,380,755

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

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22. OTHER CURRENT ASSETS

	30 June 2017 (unaudited)	31 December 2016 (audited)
Fees and commission receivables (<i>note a</i>)	134,308	123,029
Interest receivables (<i>note b</i>)	326,377	294,053
Prepaid expenses	14,758	15,349
Other receivables	167,694	265,329
Total	643,137	697,760

Notes:

(a) Fees and commission receivables

As at the end of the period/year, the ageing analysis of fees and commission receivables, based on the invoice date, is as follows:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Within one year	133,244	121,296
Over one year	1,064	1,733
Total	134,308	123,029

(b) Interest receivables

	30 June 2017 (unaudited)	31 December 2016 (audited)
Available-for-sale financial assets	1,942	2,528
Financial assets at fair value through profit or loss	252,997	195,798
Margin financing and securities lending	66,627	92,582
Bank deposits	6,413	4,607
Financial assets held under resale agreements	2,674	2,509
Less: Impairment	(4,276)	(3,971)
Total	326,377	294,053

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23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 (unaudited)	31 December 2016 (audited)
Held for trading:		
Debt securities	8,988,401	5,997,671
Equity securities	1,719,757	497,691
Investment funds	1,783,657	1,717,960
Assets management schemes	3,000	1,008
Financial assets designated at fair value through profit or loss:		
Debt securities	123,910	108,605
Total	12,618,725	8,322,935
Analysis into:		
Listed in Hong Kong	69,965	—
Listed outside Hong Kong	7,069,536	4,628,285
Unlisted	5,479,224	3,694,650
Total	12,618,725	8,322,935

24. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified their brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the condensed consolidated statement of financial position, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with China Securities Regulatory Commission ("CSRC") regulations.

Notes to the Condensed Consolidated Financial Statements

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25. CASH AND CASH EQUIVALENTS

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Cash on hand	90	103
Bank balances with original maturity within three months	2,429,121	2,736,893
Bank balances included in assets classified as held for sale	5,463	–
Clearing settlement funds	996,506	928,646
Financial assets held under resale agreements with original maturity within three months	965,454	691,749
Less: restricted bank deposits	(157,850)	(111,774)
Less: restricted clearing settlement funds	–	(5,100)
Total	4,238,784	4,240,517

26. DEBT INSTRUMENTS ISSUED

	30 June 2017 (unaudited)	31 December 2016 (audited)
Beneficiary certificates issued	2,601,983	2,832,624
Subordinated bonds issued	1,540,000	1,540,000
Short-term corporate bonds issued	300,000	300,000
Long-term corporate bond issued	1,500,000	1,500,000
Total	5,941,983	6,172,624
Analysis by remaining maturity:		
Within one year	2,800,000	3,132,624
Between one year and two years	1,601,983	–
Between two years and five years	1,540,000	3,040,000
Total	5,941,983	6,172,624

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For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

26. DEBT INSTRUMENTS ISSUED (CONTINUED)

Beneficiary certificates issued:

At 30 June 2017 (unaudited)

Name	Par value	Issuance date	Due date	Interest rate	Par value			As at 30 June 2017	Accrued Interest	Book value as at 30 June 2017
					As at 1 January 2017	Issuance	Redemption			
Hengfu No. 9	300,000	06/05/2015	04/05/2017	6.55%	300,000	-	(300,000)	-	-	-
恒創泰富No. 1	500,000	12/09/2016	13/03/2017	3.50%	500,000	-	(500,000)	-	-	-
恒創泰富No. 2	500,000	14/09/2016	15/03/2017	3.60%	500,000	-	(500,000)	-	-	-
恒創泰富No. 3	500,000	17/11/2016	17/11/2017	3.70%	500,000	-	-	500,000	-	500,000
恒創泰富No. 4	500,000	18/11/2016	17/11/2017	3.80%	500,000	-	-	500,000	-	500,000
恒創泰富No. 5	500,000	23/11/2016	23/11/2017	3.80%	500,000	-	-	500,000	-	500,000
恒創泰富No. 6	100,000	24/02/2017	22/02/2019	5.70%	-	100,000	-	100,000	1,983	101,983
恒創泰富No. 8	300,000	08/03/2017	08/03/2018	5.20%	-	300,000	-	300,000	-	300,000
恒創泰富No. 9	200,000	10/03/2017	09/03/2018	5.20%	-	200,000	-	200,000	-	200,000
恒創泰富No. 11	500,000	27/06/2017	27/06/2018	5.78%	-	500,000	-	500,000	-	500,000
Total					2,800,000	1,100,000	(1,300,000)	2,600,000	1,983	2,601,983

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

26. DEBT INSTRUMENTS ISSUED (CONTINUED)

Beneficiary certificates issued: (Continued)

At 31 December 2016 (audited)

Name	Par value	Issuance date	Due date	Interest rate	Par value			As at 31 December 2016	Accrued Interest	Book value as at 31 December 2016
					As at 1 January 2016	Issuance	Redemption			
Hengfu No.1	244,830	02/04/2015	21/09/2016	6.90%	244,830	–	(244,830)	–	–	–
Hengfu No.2	28,160	03/04/2015	21/09/2016	6.90%	28,160	–	(28,160)	–	–	–
Hengfu No.3	36,720	09/04/2015	28/09/2016	6.90%	36,720	–	(36,720)	–	–	–
Hengfu No.4	151,660	10/04/2015	28/09/2016	6.90%	151,660	–	(151,660)	–	–	–
Hengfu No.5	29,740	15/04/2015	11/10/2016	6.90%	29,740	–	(29,740)	–	–	–
Hengfu No.7	304,140	17/04/2015	11/10/2016	6.90%	304,140	–	(304,140)	–	–	–
Hengfu No.9	300,000	06/05/2015	04/05/2017	6.55%	300,000	–	–	300,000	32,624	332,624
Hengfu No.11	200,000	20/05/2015	07/11/2016	6.65%	200,000	–	(200,000)	–	–	–
Hengfu No.12	300,000	30/06/2015	29/06/2017	6.00%	300,000	–	(300,000)	–	–	–
Hengfu No.13	500,000	18/09/2015	18/09/2017	4.90%	500,000	–	(500,000)	–	–	–
恒創泰富No.1	500,000	12/09/2016	13/03/2017	3.50%	–	500,000	–	500,000	–	500,000
恒創泰富No.2	500,000	14/09/2016	15/03/2017	3.60%	–	500,000	–	500,000	–	500,000
恒創泰富No.3	500,000	17/11/2016	17/11/2017	3.70%	–	500,000	–	500,000	–	500,000
恒創泰富No.4	500,000	18/11/2016	17/11/2017	3.80%	–	500,000	–	500,000	–	500,000
恒創泰富No.5	500,000	23/11/2016	23/11/2017	3.80%	–	500,000	–	500,000	–	500,000
Total					<u>2,095,250</u>	<u>2,500,000</u>	<u>(1,795,250)</u>	<u>2,800,000</u>	<u>32,624</u>	<u>2,832,624</u>

Notes to the Condensed Consolidated Financial Statements

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26. DEBT INSTRUMENTS ISSUED (CONTINUED)

Subordinated bonds issued:

At 30 June 2017 (unaudited)

Name	Par value	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2017	Issuance	Book value as at 30 June 2017
14 恒泰債(123321)	1,000,000	11/11/2014 (with early redemption option on 11/11/2017)	11/11/2019	6.90%	1,000,000	–	1,000,000
14 恒泰債(123291)	300,000	16/12/2014 (with early redemption option on 16/12/2017)	16/12/2019	6.54%	300,000	–	300,000
14 恒泰債(123262)	200,000	30/01/2015 (with early redemption option on 30/01/2018)	30/01/2020	6.70%	200,000	–	200,000
恒泰期貨股份有限公司次級債	40,000	15/08/2016 (with early redemption option on 15/08/2018)	15/08/2020	6.00%	40,000	–	40,000
Total					<u>1,540,000</u>	<u>–</u>	<u>1,540,000</u>

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26. DEBT INSTRUMENTS ISSUED (CONTINUED)

Subordinated bonds issued: (Continued)

At 31 December 2016 (audited)

Name	Par value	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Book value as at 31 December 2016
14 恒泰債(123321)	1,000,000	11/11/2014 (with early redemption option on 11/11/2017)	11/11/2019	6.90%	1,000,000	–	1,000,000
14 恒泰債(123291)	300,000	16/12/2014 (with early redemption option on 16/12/2017)	16/12/2019	6.54%	300,000	–	300,000
14 恒泰債(123262)	200,000	30/01/2015 (with early redemption option on 30/01/2018)	30/01/2020	6.70%	200,000	–	200,000
恒泰期貨股份有限公司次級債	40,000	15/08/2016 (with early redemption option on 15/08/2018)	15/08/2020	6.00%	–	40,000	40,000
Total					<u>1,500,000</u>	<u>40,000</u>	<u>1,540,000</u>

As approved by CSRC, the Company issued 5-year subordinated bonds with a nominal value of RMB1 billion on 11 November 2014, RMB300 million on 16 December 2014 and RMB200 million on 30 January 2015. These subordinated bonds were listed at Shanghai Stock Exchange.

As approved by CSRC, the Group issued 4-year subordinated bond with a nominal value of RMB40 million on 15 August 2016. This subordinated bond was unlisted.

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26. DEBT INSTRUMENTS ISSUED (CONTINUED)

Short-term corporate bonds issued:

At 30 June 2017 (unaudited)

Name	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2017	Issuance	Redemption	Book value as at 30 June 2017
恒泰短债D3	14/09/2016	14/09/2017	3.70%	300,000	–	–	300,000

At 31 December 2016 (audited)

Name	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Redemption	Book value as at 31 December 2016
恒泰短债D1	30/10/2015	28/10/2016	4.80%	500,000	–	(500,000)	–
恒泰短债D2	18/12/2015	16/12/2016	4.60%	500,000	–	(500,000)	–
恒泰短债D3	14/09/2016	14/09/2017	3.70%	–	300,000	–	300,000
Total				1,000,000	300,000	(1,000,000)	300,000

Long-term corporate bond issued:

At 30 June 2017 (unaudited)

Name	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2017	Issuance	Book value as at 30 June 2017
14恒泰05(136215)	29/01/2016	29/01/2019	3.42%	1,500,000	–	1,500,000

At 31 December 2016 (audited)

Name	Issuance date	Due date	Nominal interest rate	Book value as at 1 January 2016	Issuance	Book value as at 31 December 2016
14恒泰05(136215)	29/01/2016	29/01/2019	3.42%	–	1,500,000	1,500,000

Notes to the Condensed Consolidated Financial Statements

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27. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	30 June 2017 (unaudited)	31 December 2016 (audited)
Clients' deposits for margin financing and securities lending	552,476	655,309
Clients' deposits for other brokerage business	10,155,814	11,546,028
Total	10,708,290	12,201,337

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

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

28. OTHER CURRENT LIABILITIES

	30 June 2017 (unaudited)	31 December 2016 (audited)
Payables to other investors of consolidated structural entities	3,486,477	1,259,412
Payables to limited partners of consolidated limited partnerships	17,429	125,723
Other payables	227,636	159,578
Interest payables	142,582	114,802
Business tax and other tax payables	17,697	36,397
Total	3,891,821	1,695,912

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29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Analysis by collateral type:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Non-current		
Equity securities	90,000	100,000
Rights and interests in margin financing	500,000	500,000
Subtotal	590,000	600,000
Current		
Debt securities	3,129,285	2,193,186
Rights and interests in margin financing	800,000	2,800,000
Subtotal	3,929,285	4,993,186
Total	4,519,285	5,593,186

Analysis by market:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Non-current		
Bank and other financial institutions	590,000	600,000
Current		
Inter-bank market	1,774,794	781,057
Shanghai Stock Exchange	937,600	1,063,800
Shenzhen Stock Exchange	416,891	348,329
Bank and other financial institutions	800,000	2,800,000
Subtotal	3,929,285	4,993,186
Total	4,519,285	5,593,186

Notes to the Condensed Consolidated Financial Statements

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29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

Analysis by transaction type:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Non-current		
Pledged	590,000	600,000
Current		
Pledged	3,929,285	4,588,869
Sold	—	404,317
Subtotal	3,929,285	4,993,186
Total	4,519,285	5,593,186

As at 30 June 2017, the carrying amount of the financial assets at fair value through profit or loss, available-for-sale financial assets and margin account receivables that had been placed as financial assets sold under repurchase agreements of the Group are listed as below:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Financial assets at fair value through profit or loss	4,202,781	3,019,836
Available-for-sale financial assets	170,797	197,327
Margin account receivables	1,467,488	3,694,496
Total	5,841,066	6,911,659

30. SHARE CAPITAL

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

At 1 January 2016, 31 December 2016 and 30 June 2017	2,604,567
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For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

31. PERPETUAL CAPITAL SECURITIES

The Group issued a perpetual subordinated debt (the "Debt") with nominal value of RMB1,500 million on 29 June 2015. The Debt is undated and will carry a 6.80% coupon rate until the first redemption date on 29 June 2020. The coupon rate will be reset every five years if the Debt is not redeemed.

The Group does not have any contractual obligation to deliver cash or other financial assets to redeem the Debt. The redemption of the Debt is solely at the discretion of the Group.

32. COMMITMENTS

Capital commitments

Capital commitments outstanding at 30 June 2017 not provided for in the financial statements are as follows:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Acquisition of property and equipment	373,950	373,950
Acquisition of intangible assets	20,000	12,219
Total	393,950	386,169

Lease commitments – the Group as lessee

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

	30 June 2017 (unaudited)	31 December 2016 (audited)
Within 1 year (inclusive)	78,175	88,028
1 – 2 years (inclusive)	57,928	69,647
2 – 3 years (inclusive)	21,206	23,628
After 3 years	8,203	12,807
Total	165,512	194,110

33. CONTINGENT LIABILITIES

As at 30 June 2017, the Group is not involved in any material legal, arbitration or administrative proceedings which the Group expect would have significant adverse impact on their financial position and operating results, should unfavorable rulings have been handed down (31 December 2016: Nil).

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34. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transactions/balances between the Group and major shareholders:

	30 June 2017 (unaudited)	31 December 2016 (audited)
Balances at the end of the period/year		
Account payables to brokerage clients	18,558	40,577
	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Transactions during the period		
Fees and commission income	100	16
Interest expenses	42	29
Rental expenses	4,228	4,627
Other operating expenses	289	175

(ii) Key management personnel remuneration

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

	Six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Short-term benefits		
Fees, salaries, allowance and bonus	23,303	15,632
Post-employment benefit		
Contributions to pension scheme	290	255
Total	23,593	15,887

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35. SEGMENT REPORTING

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
6 months ended 30 June 2017 (unaudited):						
Revenue						
– External	817,309	128,993	376,768	478,128	45,687	1,846,885
– Inter-segment	1	(1)	–	–	–	–
Other income and gains	(187)	122	–	2,820	3,239	5,994
Segment revenue and other income	817,123	129,114	376,768	480,948	48,926	1,852,879
Segment expenses	(667,698)	(62,591)	(167,884)	(354,781)	(83,642)	(1,336,596)
Segment operating profit/(loss)	149,425	66,523	208,884	126,167	(34,716)	516,283
Share of profits less losses of associates	–	–	–	–	(202)	(202)
Profit/(loss) before tax	149,425	66,523	208,884	126,167	(34,918)	516,081
Other segment information:						
Interest income	355,119	6,278	7,888	18,505	45,687	433,477
Interest expenses	(140,078)	–	(122,270)	(79,887)	–	(342,235)
Depreciation and amortisation	(31,858)	(1,264)	(137)	(8,153)	(2,989)	(44,401)
Reversal of impairment losses/ (impairment losses)	3,926	–	–	(13,337)	–	(9,411)
Capital expenditure	22,766	187	59	18,663	3,981	45,656
As at 30 June 2017 (unaudited):						
Segment assets	17,556,655	422,886	9,152,743	7,845,356	1,519,139	36,496,779
Deferred tax assets						73,283
Assets classified as held for sale						31,870
Total assets						36,601,932
Segment liabilities	14,641,821	37,431	6,819,722	4,635,621	129,636	26,264,231
Deferred tax liabilities						22,862
Liabilities directly associated with assets classified as held for sale						8,640
Total liabilities						26,295,733

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

35. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
6 months ended 30 June 2016 (unaudited):						
Revenue						
– External	902,148	254,917	78,337	381,511	29,907	1,646,820
– Inter-segment	(22)	2	–	20	–	–
Other income and gains	<u>2,450</u>	<u>1,064</u>	<u>–</u>	<u>7,612</u>	<u>3,898</u>	<u>15,024</u>
Segment revenue and other income	904,598	255,981	78,337	389,123	33,805	1,661,844
Segment expenses	<u>(679,411)</u>	<u>(185,184)</u>	<u>(123,394)</u>	<u>(307,037)</u>	<u>(85,578)</u>	<u>(1,380,604)</u>
Segment operating profit/(loss)	225,187	70,797	(45,057)	82,086	(51,773)	281,240
Share of loss of an associate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,050)</u>	<u>(1,050)</u>
Profit/(loss) before tax	<u>225,187</u>	<u>70,797</u>	<u>(45,057)</u>	<u>82,086</u>	<u>(52,823)</u>	<u>280,190</u>
Other segment information:						
Interest income	356,869	6,290	426	6,579	29,907	400,071
Interest expenses	(166,046)	–	(106,858)	(89,673)	(158)	(362,735)
Depreciation and amortisation	(27,777)	(1,213)	(140)	(6,603)	(2,806)	(38,539)
Reversal of impairment losses	6,196	–	–	–	–	6,196
Capital expenditure	<u>15,199</u>	<u>333</u>	<u>20</u>	<u>3,933</u>	<u>55,578</u>	<u>75,063</u>
As at 31 December 2016 (audited):						
Segment assets	20,002,565	466,842	8,057,724	6,106,667	2,424,606	37,058,404
Deferred tax assets						<u>90,192</u>
Total assets						<u>37,148,596</u>
Segment liabilities	19,073,049	97,154	5,056,544	2,733,173	251,129	27,211,049
Deferred tax liabilities						<u>1,342</u>
Total liabilities						<u>27,212,391</u>

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36. FAIR VALUE MEASUREMENTS

The carrying amount and fair value of debt instruments issued which are not presented at fair value are listed as below:

Carrying amount

	30 June 2017 (unaudited)	31 December 2016 (audited)
Financial liabilities		
Beneficiary certificates issued	101,983	–
Subordinated bonds issued	1,540,000	1,540,000
Long-term corporate bond issued	1,500,000	1,500,000
Total	3,141,983	3,040,000

Fair value

	At 30 June 2017 (unaudited)			Total
	Level 1	Level 2	Level 3	
Financial liabilities				
Beneficiary certificates issued	–	–	101,983	101,983
Subordinated bonds issued	–	1,511,140	40,000	1,551,140
Long-term corporate bond issued	–	1,476,570	–	1,476,570
Total	–	2,987,710	141,983	3,129,693

	At 31 December 2016 (audited)			Total
	Level 1	Level 2	Level 3	
Financial liabilities				
Subordinated bonds issued	–	1,526,545	40,000	1,566,545
Long-term corporate bonds issued	–	1,482,153	–	1,482,153
Total	–	3,008,698	40,000	3,048,698

Except as disclosed above, the directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

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36. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June 2017:

Fair value measurements as at 30 June 2017 (unaudited)				
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Assets				
Financial assets at fair value through profit or loss				
– Debt securities for trading purpose	2,087,628	6,843,773	57,000	8,988,401
– Equity securities	1,477,971	194,298	47,488	1,719,757
– Investment funds	327,438	1,456,219	–	1,783,657
– Assets management schemes	–	3,000	–	3,000
– Debt securities designated at fair value through profit or loss	–	123,910	–	123,910
Subtotal	3,893,037	8,621,200	104,488	12,618,725
Available-for-sale financial assets				
– Debt securities	50,480	–	–	50,480
– Equity securities	395,825	249,518	700,095	1,345,438
– Investment funds	185,302	104,643	–	289,945
– Assets management schemes	–	40,669	–	40,669
Subtotal	631,607	394,830	700,095	1,726,532
Total	4,524,644	9,016,030	804,583	14,345,257

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36. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at 30 June 2017: (Continued)

	Fair value measurements as at 31 December 2016 (audited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Assets				
Financial assets at fair value through profit or loss				
– Debt securities for trading purpose	1,654,268	3,986,403	357,000	5,997,671
– Equity securities	262,323	180,744	54,624	497,691
– Investment funds	713,362	1,004,598	–	1,717,960
– Assets management schemes	–	1,008	–	1,008
– Debt securities designated at fair value through profit or loss	–	108,605	–	108,605
Subtotal	2,629,953	5,281,358	411,624	8,322,935
Available-for-sale financial assets				
– Debt securities	80,660	16,740	–	97,400
– Equity securities	735,748	292,533	675,785	1,704,066
– Investment funds	243,941	100,421	–	344,362
– Assets management schemes	–	1,608,134	–	1,608,134
Subtotal	1,060,349	2,017,828	675,785	3,753,962
Total	3,690,302	7,299,186	1,087,409	12,076,897

During the six months ended 30 June 2017, there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy (year ended 31 December 2016: Nil).

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36. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of financial assets measured at fair value based on Level 3:

Description	(Unaudited)		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
At 1 January 2017	411,624	675,785	1,087,409
Losses for the period	(5,134)	—	(5,134)
Changes in fair value recognised in other comprehensive income	—	(7,256)	(7,256)
Purchases	9,789	51,576	61,365
Sales and settlements	(311,791)	(20,010)	(331,801)
At 30 June 2017	<u>104,488</u>	<u>700,095</u>	<u>804,583</u>
Total gains or losses included in profit or loss for assets held at end of the reporting period	<u>(4,577)</u>	<u>—</u>	<u>(4,577)</u>

Description	(Audited)		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
At 1 January 2016	506,925	332,907	839,832
Losses for the year	(3,806)	(4,000)	(7,806)
Changes in fair value recognised in other comprehensive income	—	(9,211)	(9,211)
Purchases	290,224	604,091	894,315
Sales and settlements	(381,719)	(248,002)	(629,721)
At 31 December 2016	<u>411,624</u>	<u>675,785</u>	<u>1,087,409</u>
Total gains or losses included in profit or loss for assets held at end of the reporting period	<u>—</u>	<u>(4,000)</u>	<u>(4,000)</u>

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For the six months ended 30 June 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

36. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of financial assets measured at fair value based on Level 3: (Continued)

The total gains or losses recognised in other comprehensive income are presented in fair value gains on available-for-sale financial assets in the condensed consolidated statement of profit and loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in net investment income in the condensed consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2017:

The Group's financial market department is responsible for the fair value measurements of financial assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The financial market department reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial market department and the Board of Directors periodically.

A majority of the financial assets at fair value through profit or loss classified as Level 2 consist of debt securities and bond investments trading in the inter-bank bond market and the over-the-counter market. Fair values are determined based on recent transaction prices in inactive markets and using valuation techniques.

A majority of the available-for-sale financial assets classified as Level 2 consist of restricted shares, close-end funds and collective assets management schemes. Fair values of restricted shares are determined by the quoted market prices of the shares with an adjustment of discount for lack of marketability. Fair values of close-end funds are determined by trading price which is based on the net asset value as at the reporting date. Fair values of collective assets management schemes are determined based on the fair value of the underlying investments in each portfolio.

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement.

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36. FAIR VALUE MEASUREMENTS (CONTINUED)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2017: (Continued)

Level 3 fair value measurements

At 30 June 2017 (unaudited):

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs
Debt securities, private placements bonds	Discounted cash flows	Risk adjusted discount rates	Decrease
Unlisted equity investments	Market comparable companies	Discount rate for lack of marketability	Decrease
	Recent transaction prices	N/A	N/A

At 31 December 2016 (audited):

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs
Debt securities, private placements bonds	Discounted cash flows	Risk adjusted discount rates	Decrease
Unlisted equity investments	Market comparable companies	Discount rate for lack of marketability	Decrease
	Net assets value	N/A	N/A

There were no changes in the valuation techniques used.

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37. ASSETS CLASSIFIED AS HELD FOR SALE

On 13 February 2017, a subsidiary of the Company, Hengtai Pioneer Investments Co., Ltd. (恒泰先鋒投資有限公司, "Hengtai Pioneer"), entered into a letter of intent to dispose 70% equity interests of its wholly owned subsidiary, Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司, "Hengtai Puhui"), at a consideration not exceeding RMB19,000 thousand. After further negotiation, Hengtai Pioneer entered into an agreement to dispose the 70% equity interests of Hengtai Puhui at a consideration of RMB20,790 thousand. All precedence conditions for the disposal have been fulfilled and the disposal has been completed subsequently on 1 August 2017. The net proceeds of the disposal are expected to exceed the carrying amount of the related net assets and, accordingly, no impairment loss was recognised, neither when the operation was reclassified as held for sale nor at the end of the reporting period. The assets and liabilities of Hengtai Puhui has been classified and accounted for at 30 June 2017 as a disposal group held for sale.

The major classes of assets and liabilities of Hengtai Puhui at the end of the reporting period are as follows:

	30 June 2017 (unaudited)
Property and equipment	62
Deferred tax assets	5,149
Other non-current assets	20,000
Other current assets	1,196
Bank balances	5,463
Assets of Hengtai Puhui classified as held for sale	31,870
Employee benefit payables	7,260
Other current liabilities	14
Current tax liabilities	1,366
Liabilities of Hengtai Puhui associated with assets classified as held for sale	8,640
Net assets of Hengtai Puhui classified as held for sale	23,230

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38. DISPOSAL OF A SUBSIDIARY

Pursuant to an agreement dated 22 March 2017 entered into between a subsidiary of the Company, Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司, "Hengtai Capital") and an independent third party, Hengtai Capital disposed its interest in a 51%-owned subsidiary, Shenzhen Hengtai Xihe Equity Investment Fund Management Co., Ltd. (深圳恒泰義和股權投資基金管理有限公司, "Hengtai Xihe") for a cash consideration of RMB852 thousand. The consideration was the same as the net assets value of Hengtai Xihe attributable to the Group, resulting in no gain or loss on disposal of Hengtai Xihe.

Hengtai Xihe was engaged in investment consulting, investment management, entrusted management of equity, investment funds, equity investment in unlisted companies, entrusted assets management and equity investment during the period. The disposal was completed on 30 March 2017.

39. NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group is still assessing the impact of these new and revised IFRSs and there are no significant updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 August 2017.