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國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.

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

(Stock Code: 02611)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the “**Board**”) of Guotai Junan Securities Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2018. This announcement sets out the full text of 2018 Interim Report of the Company and 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 announcements of interim results.

This interim results announcement will be published on the website of Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.gtja.com.

The 2018 Interim Report will be dispatched to holders of the Company's H Shares in due course and will be published on the aforesaid websites of Hong Kong Stock Exchange and the Company.

By order of the Board
Guotai Junan Securities Co., Ltd.
YANG Dehong
Chairman

Shanghai, the PRC
24 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. YANG Dehong, Mr. WANG Song and Mr. YU Jian; the non-executive directors are Mr. FU Fan, Ms. LIU Ying, Mr. ZHONG Maojun, Mr. ZHOU Lei, Mr. WANG Yongjian, Mr. LIN Facheng and Mr. ZHOU Hao; and the independent non-executive directors are Mr. XIA Dawei, Mr. SHI Derong, Mr. CHEN Guogang, Mr. LING Tao, Mr. JIN Qingjun and Mr. Lee Conway Kong Wai.

Important Notice

The Board, the supervisory committee, directors, supervisors and senior management of the Company warrant that the contents of this interim results announcement (the “**Announcement**”) are true, accurate and complete, without any misrepresentation, misleading statement or material omission, and severally and jointly bear the legal responsibilities thereof.

The interim results announcement has been considered and approved by the ninth meeting of the fifth session of the Board of the Company. All directors of the Company have attended the meeting.

Our audit committee has reviewed and confirmed the interim results announcement of the Group for the six months ended June 30, 2018, and has not raised any objection to the accounting policies and practices adopted by the Group.

The Group’s interim condensed consolidated financial statements for 2018 are unaudited. The interim condensed consolidated financial statements for 2018 have been prepared by the Company in accordance with the international financial reporting standards and have been reviewed by Ernst & Young.

YANG Dehong, the person in charge of the Company, and XIE Lebin, the person in charge of accounting affairs and the person in charge of the accounting department (head of the accounting department) of the Company, warrant the truthfulness, accuracy and completeness of the interim condensed consolidated financial statements contained in the interim results Announcement.

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2018.

Forward-looking statements included in this Announcement, including future plans and development strategies, do not constitute a substantial commitment of the Company to investors. Investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

There was no appropriation of funds on a non-operating basis by the Company’s controlling shareholders or their related parties.

The Company has not provided any external guarantees in violation of the prescribed decision-making procedures.

MAJOR RISK WARNING

The risks faced by the Company in its operations mainly include: market risk, credit risk, liquidity risk, operational risk and reputational risk, which are specifically embodied as the risk of loss to the Company due to unfavorable changes of market prices; risk of loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuer, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity; risk of not being able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation; risk of possible loss caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events; risk of negative evaluation of the Company’s reputation due to the Company’s operation and management or external events.

The Company has established an effective internal control system, compliance management system and a dynamic regulatory system based on risk control indicators to ensure that the operations of the Company are conducted within an extent of predictable, controllable and tolerable risks.

Investors are advised to read the “Discussion and Analysis of Operation Condition” as set out in Section IV of this Announcement carefully for risks related to the operations of the Company.

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Section I Definitions

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

Definitions of frequently-used terms

the Company/Company/Guotai Junan	Guotai Junan Securities Co., Ltd.
the Group/Group	Guotai Junan Securities Co., Ltd. and its subsidiaries
Articles of Association	the articles of association of Guotai Junan Securities Co., Ltd.
Share(s)	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
Shareholder(s)	holder(s) of the Share(s) of the Company
Board/Board of Directors	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	the supervisor(s) of the Company
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Shanghai Bureau of the CSRC	Shanghai Office of the China Securities Regulatory Commission
SAC	Securities Association of China (中國證券業協會)
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
International Group	Shanghai International Group Co., Ltd. (上海國際集團有限公司)
Shanghai SA	Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)
Shenzhen Investment Holdings	Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司)
Guotai Junan Asset Management	Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司)
Guotai Junan Futures	Guotai Junan Futures Co., Limited (國泰君安期貨有限公司)
Guotai Junan Financial Holdings	Guotai Junan Financial Holdings Co., Ltd. (國泰君安金融控股有限公司)
Hong Kong Companies	Guotai Junan Financial Holdings Co., Ltd. and its controlled subsidiaries
Guotai Junan International	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), controlled by Guotai Junan Financial Holdings Co., Ltd. and a public company listed on the Hong Kong Stock Exchange
Guotai Junan Innovation Investment	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司)

Section I Definitions

Guotai Junan Zhengyu	Guotai Junan Zhengyu Investment Co., Ltd. (國泰君安證裕投資有限公司)
Shanghai Securities	Shanghai Securities Co., Ltd. (上海證券有限責任公司)
Hicend Futures	Hicend Futures Co., Ltd. (海證期貨有限公司)
GTJA Allianz Funds	GTJA Allianz Funds Management Co., Ltd. (國聯安基金管理有限公司)
HuaAn Funds	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司)
Guoxiang Properties	Shanghai Guoxiang Properties Co., Ltd. (上海國翔置業有限公司)
SPD Bank	Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司)
Shanghai Rural Commercial Bank	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司)
Convertible Bonds	the convertible corporate bonds (which can be converted into the Company's A Shares) amounting to RMB7 billion issued by the Company on 7 July 2017 and listed on SSE on 24 July 2017
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
SSE Listing Rules	The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (revised in 2018)
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified otherwise from time to time
Reporting Period	the first half of 2018
Yuan	RMB Yuan
A Shares	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and are traded in RMB
H Shares	overseas listed foreign shares of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
ABS	Asset-backed Securities
FICC	Fixed income, Currencies and Commodities
PB	Prime Broker

Section II Company Profile and Key Financial Indicators

I. PROFILE

Name in Chinese	國泰君安證券股份有限公司
Abbreviation in Chinese	國泰君安、國泰君安證券
Name in English	Guotai Junan Securities Co., Ltd.
Abbreviation in English	GTJA, Guotai Junan Securities
Legal Representative	YANG Dehong
President	WANG Song
Authorized Representatives	YANG Dehong, YU Jian
Joint Company Secretaries	YU Jian, KWONG Yin Ping Yvonne

Registered Capital and Net Capital

Unit: thousand yuan Currency: RMB

	At the end of the Reporting Period	At the end of the last year
Registered Capital	8,713,934	8,713,934
Share Capital	8,713,940	8,713,934
Net Capital	<u>87,646,339</u>	<u>96,365,266</u>

Note: The Convertible Bonds issued by the Company are convertible into A Shares of the Company from 8 January 2018. During the period from 8 January 2018 to 30 June 2018, Convertible Bonds with a total par value of RMB131,000 had been converted into A Shares of the Company and the cumulative number of Shares converted was 6,476 Shares, increasing the total number of shares of the Company to 8,713,940,276. The Company will apply for registering the change of the registered capital in a timely manner in accordance with the relevant requirements.

Section II Company Profile and Key Financial Indicators

Business Qualifications for Each Individual Business of the Company

√ Applicable □ Not applicable

1. Individual Business Qualifications of the Company

No.	Approval Department	Qualification Name/Membership
1	The People's Bank of China	Interbank Borrowing Qualification (Yin Huo Zheng [2000] No. 122, Yin Zong Bu Han [2016] No. 22) Interbank Bonds Market Maker (Yin Fa [2004] No. 157) Free Trade Accounting Business (August 2015)
2	CSRC and its local branches	Operation license of securities businesses: securities brokerage; securities investment advisory; securities transaction and securities investment related financial advisory; securities underwriting and sponsoring; securities proprietary trading; margin financing and securities lending; agency sale of securities investment fund; agency sale of financial products; stock option market making. (Number: 10270000) Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No. 3) Entrusted Investment Management Business (Zheng Jian Ji Gou Zi [2002] No. 149) Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2002] No. 31) Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 124, Hu Zheng Jian Ji Gou Zi [2010] No. 103) Participating in Stock Index Futures Transaction (Hu Zheng Jian Ji Gou Zi [2010] No. 253) Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2011] No. 573, Shang Zheng Han [2013] No. 257) Agreed Repurchase Securities Trading Business (Ji Gou Bu Bu Han [2012] No. 250) Integrated Financial Services (Ji Gou Bu Bu Han [2012] No. 555)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
		Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2013] No.311) Agency Sale of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No. 56) Comprehensive Custody Pilot Business for Private Equity Funds (Ji Gou Bu Bu Han [2013] No.173) Pilot of Agency Services for Gold and Other Precious Metal Spot Contracts and Proprietary Business for Gold Spot Contracts (Ji Gou Bu Bu Han [2014] No. 121) Qualification for Securities Investment Fund Custody Business (Zheng Jian Xu Ke [2014] No. 511) Foreign Exchange Business such as Proprietary Foreign Exchange Trading and Foreign Exchange Settlement and Sale on behalf of Customers, Proprietary Foreign Exchange Trading and Foreign Exchange Trading on behalf of Customers (Letter No. [2014]1614 of the Institutions Supervision Department for Securities Fund) Stock Options Market Making Business (Zheng Jian Xu Ke [2015] No. 154) Proprietary Participation in Carbon Emissions Trading (Ji Gou Bu Han [2015] No. 862) Conducting Cross-border Business at Pilot (Ji Gou Bu Han [2017] No. 3002) First-class Dealer for Over-the-counter Options (Ji Gou Bu Han [2018] No. 1789)
3	Securities Association of China	Qualification for Participating in Related Innovation Activities (February 2005) Quotation Transfer Business (Zhong Zheng Xie [2006] No. 3) Pilot of Underwriting Business of SME Private Placement Bonds (Zhong Zheng Xie Han [2012] No. 378) OTC Trading Business (Zhong Zheng Xie Han [2012] No. 825) Financial Derivatives Business (Zhong Zheng Xie Han [2013] No. 1224) Internet Securities Business (Zhong Zheng Xie Han [2014] No. 155)
4	China Securities Depository and Clearing Corporation Limited	Agency Registration Business (April 2002) Clearing Participant (China Clearing Office [2006] No. 67) Class A Clearing Participant (China Clearing Office [2008] No. 24)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
5	China Securities Finance Corporation Limited	Pilot Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 116) Pilot Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 45)
6	Shanghai Stock Exchange/ Shenzhen Stock Exchange	Treasury Bonds Outright Repo Business (December 2004) Carrying out the Business of "SSE Fund Connect (上證基金通)" (July 2005) First-class Dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (March 2006) Trader of Integrated Electronic Platform for Fixed Income Securities (Shang Zheng Hui Han [2007] No.90) Qualified Investor of Block Trade System (No.A00001) Stock Pledge Repo Business (Shang Zheng Hui Zi [2013] No. 64, Shen Zheng Hui [2013] No. 58) Southbound Business (Shang Zheng Han [2014] No. 654) Participant for Trading of Stock Options (Shang Zheng Han [2015] No. 66) Trading Authorization for Southbound under Shenzhen-Hong Kong Stock Connect (Shen Zheng Hui [2016] No. 326)
7	State Administration of Foreign Exchange	Securities Brokerage and Underwriting Business of Foreign Currency (Hui Zi Zi No. SC201221) Transactions of Spot Sale and Purchase of Foreign Exchange and RMB and Foreign Exchange Related Derivative Business (Hui Fu [2014] No. 325) Filling for Businesses, such as Quanto Product Settlement and Sale, Foreign Exchange Settlement and Sale for QFII Custody Customer, Foreign Exchange Trading on behalf of Customers (Hui Zong Bian Han [2016] No. 505)
8	National Association of Financial Market Institutional Investors	Main Underwriting Business of Debt Financing Instruments for Non-financial Businesses (Announcement of National Association of Financial Market Institutional Investors [2012] No. 19)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
9	Shanghai Gold Exchange	Special Membership Qualification International Membership (Class A) Qualification (Certificate No: IM0046) Interbank Gold Price Inquiries Business (August 2014)
10	National Equities Exchange and Quotations	Sponsoring Broker-dealers Market Making Business (Gu Zhuan Xi Tong Han [2014] No. 706)
11	China Foreign Exchange Trading Center	China Interbank FX Market Membership (Zhong Hui Jiao Fa [2015] No. 3) China Interbank FX Market Derivatives Membership (Zhong Hui Jiao Fa [2015] No. 59)
12	Interbank Market Clearing House Company Limited	Central Clearing Transaction of Shipping and Commodities Derivatives (Zhun Zi [2015] No. 016 for Membership of Clearing House) Business of Liquidation Agency of RMB Interest Rate Swap (2018 Bian Han No. 8) Business of Central Clearing for Credit Default Swap (2018 Bian Han No. 29)

2. Individual Business Qualifications of the Controlled Subsidiaries

No.	Name of Subsidiary	Qualification Name/Membership
1	Hong Kong Companies	Issued by the Securities and Futures Commission of Hong Kong Type 1 (dealing in securities) (30 March 2004) Type 2 (dealing in futures contracts) (26 November 2010) Type 3 (leveraged foreign exchange trading) (21 October 2010) Type 4 (advising on securities) (20 March 2004) Type 5 (advising on futures contracts) (26 November 2010) Type 6 (advising on corporate finance) (30 March 2004) Type 9 (asset management) (26 November 2004) Exchange Participant Certificate, Exchange Trading Right Certificate and Market-maker Permit for Securities (Exchange-Traded Funds) issued by Hong Kong Stock Exchange Exchange Participant Certificate and Exchange Trading Right Certificate issued by Hong Kong Futures Exchange Limited Participant Certificate of Future Clearing Company issued by HKFE Clearing Corporation Limited Money Lender License issued by Hong Kong Companies Registry

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
		RMB Qualified Overseas Institutional Investors, Qualified Overseas Institutional Investors and Permit for Securities and Futures Operation Business issued by China Securities Regulatory Commission Membership Certificate issued by the Hong Kong Confederation of Insurance Brokers (1 March 2013) Registered Fund Management Company Qualification, License for Exempt Financial Advisor Qualification and License for Capital Market Services issued by Monetary Authority of Singapore Principal Intermediary Qualification issued by the Hong Kong Mandatory Provident Fund Schemes Authority “Bond Connect” Overseas Investors Business approved by the Shanghai headquarters of The People’s Bank of China
2	Guotai Junan Asset Management	Operation permit of securities business: securities asset management business. (Number: 10278001) Qualified Domestic Institutional Investor Participating in Administration of Overseas Securities Investment (Zheng Jian Ji Gou Zi [2010] No. 631) Asset Management Business Participating in the Trading of Stock Index Futures (Hu Zheng Jian Ji Gou Zi [2011] No. 38) Pilot of Cash Management Products Pilot (Zheng Jian Xu Ke [2012] No. 828)
3	Guotai Junan Futures and its subsidiaries	Permit for Securities and Futures Operation Business (No.91310000100020711J) Comprehensive Settlement Business for Financial Futures (Zheng Jian Qi Huo Zi [2007] No. 148) Qualification for futures investment consulting business (Zheng Jian Xu Ke [2011] No. 1449) Asset Management Business (Zheng Jian Xu Ke [2012] No. 1506) Financing Contracts Services, Basis Trading, Cooperation Hedge, Pricing Services (Zhong Qi Xie Bei Zi [2015] No. 67) Membership Qualification of Shanghai International Energy Exchange (Shang Neng Pi Fu [2017] No.105) Participant for Trading of stock SSE options (Shang Zheng Han [2018] No. 63) Market Making Business (Zhong Qi Xie Bei Zi [2018] No. 41)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
4	Shanghai Securities and its subsidiaries	Operation permit of securities businesses; securities brokerage; securities investment advisory; securities transaction and securities investment activities related financial advisory; securities (excluding stocks, corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; margin financing and securities lending; securities investment fund agency sales; agency sales of financial products;. (Number: 10710000) Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No. 8) Entrusted Investment Management Business (Zheng Jian Ji Gou Zi [2002] No. 203) Interbank Borrowings Business (Yin Fu [2003] No. 68, Yin Zong Bu Han [2013] No. 79) Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2004] No. 74) SSE Treasury Bonds Outright Repo Business (December 2004) Clearing Participant of China Securities Depository and Clearing Corporation Limited (China Clearing Office [2006] No. 61) Class A Clearing Participant of China Securities Depository and Clearing Corporation Limited (February 2008) Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 1039, Hu Zheng Jian Ji Gou Zi [2010] No. 133) Qualification for Participating in Related Innovation Activities (December 2005) No Objection Letter on Implementation of Broker system by Shanghai Securities (Zheng Jian Ji Gou Zi [2009] No. 260) Pilot of Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2012] No. 596) Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2012] No. 621) Foreign Currency Securities Brokerage Business (Hui Zi No. SC201211) Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 25)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
		Agreed Repurchase Securities Trading Entitlement (Shang Zheng Hui Zi [2013] No. 22, Shen Zheng Hui [2013] No. 15) Stock Collateral Repo Trading Entitlement (Shang Zheng Hui Zi [2013] No.137, Shen Zheng Hui [2013] No. 73) Agency Sale of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No. 19) Engaging in Recommended Business and Brokerage Business on the National Equities Exchange and Quotations System (Gu Zhuan Xi Tong Han [2013] No. 80) Engaging in Market Making Business on the National Equities Exchange and Quotations (Gu Zhuan Xi Tong Han [2014] No. 724) Qualification for participant of the Trader Quote Requests and Market Maker Quote Mechanisms (business entitlement: investment, agency transaction, innovation and design, recommendation, exhibition) Business for Hong Kong Stock Connect (Shang Zheng Hui Han [2014] No. 367) Trading Authorization for Hong Kong Stock Connect under Shenzhen-Hong Kong Stock Connect (Shen Zheng Hui [2016] No. 330) Participant of Stock Option Trading of Shanghai Stock Exchange (Shang Zheng Han [2015] No. 78) Qualification for Stock Option Business of Shenzhen Stock Exchange (Shen Qi Quan Han [2015] Mo No. 66) Option Settlement Business of China Securities Depository and Clearing Corporation Limited (China Clearing Office [2015] No. 51) Operation Permit of Futures Business: commodity futures brokerage, financial futures brokerage, futures investment consulting (Number: 31390000) Asset Management Business (Zhong Qi Xie Bei Zi [2015] No. 5) Asset Management Direct Selling (August 2017)
5	Guotai Junan Innovation Investment	Qualification for Private Equity Fund Manager (No.: PT2600011780)

Section II Company Profile and Key Financial Indicators

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities Affairs Representative
Name	Yu Jian	Liang Jing
Contact address	768 Nanjing West Road, Jingan District, Shanghai	768 Nanjing West Road, Jingan District, Shanghai
Telephone	021-38676798	021-38676798
Facsimile	021-38670798	021-38670798
E-mail	dshbgs@gtjas.com	dshbgs@gtjas.com

III. CHANGE IN BASIC INFORMATION

Registered address of the Company	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC
Postal codes of registered address of the Company	200120
Office address of the Company	768 Nanjing West Road, Jingan District, Shanghai
Postal codes of office address of the Company	200041
Principal place of business in Hong Kong	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Company website	http://www.gtja.com/
Email	dshbgs@gtjas.com
Query index of changes during the Reporting Period	See announcement No. 2018-049 on SSE website and H-share announcement of the Company for details.

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

Name of newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for publication of interim report	http://www.sse.com.cn/
Website designated by the Hong Kong Stock Exchange for publication of interim report	http://www.hkexnews.hk/
Location for inspection of interim report of the Company	768 Nanjing West Road, Jingan District, Shanghai
Query index of changes during the Reporting Period	Please refer to the Company's announcement No. 2018-049 on SSE website for details

Section II Company Profile and Key Financial Indicators

V. SHARES OF THE COMPANY

Type of share	Listing venue	Stock name	Stock code	Stock name before change
A Share	Shanghai Stock Exchange	国泰君安	601211	N/A
H Share	Hong Kong Stock Exchange	GTJA	02611	N/A

VI. OTHER RELEVANT INFORMATION

☒ Applicable ☐ Not applicable

Domestic accountant engaged by the Company	Name	Ernst & Young Hua Ming LLP
	Office address	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Overseas accountant engaged by the Company	Name	Ernst & Young
	Office address	22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Sponsor performing the continuous supervision duty during the Reporting Period	Name	Essence Securities Co., Ltd.
	Office address	35F, Anlian Mansion, No. 4018, Jintian Road, Futian District, Shenzhen
	Continuous supervision period	14 July 2016 to the present
Domestic legal advisor	Haiwen & Partners	
Hong Kong legal advisor	Freshfields Bruckhaus Deringer	
Hong Kong Joint Compliance Advisors	Guotai Junan Capital Limited Huarong International Capital Limited	
A Share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation Limited	
H Share Registrar	Computershare Hong Kong Investor Services Limited	

Section II Company Profile and Key Financial Indicators

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key accounting data

Unit: thousand yuan Currency: RMB

Key accounting data	Reporting period	Corresponding period	Movement during the Reporting Period compared with the corresponding period
	(January to June)	of last year	of last year (%)
Total revenue and other income	15,934,999	15,855,467	0.50
Operating profit	5,368,933	6,650,790	-19.27
Profit before income tax	5,462,884	6,665,776	-18.05
Profit for the period attributable to equity holders of the Company	4,009,001	4,756,266	-15.71
Net cash generated from/(used in) operating activities	32,649,073	-11,945,139	N/A
Basic earnings per share (RMB/share)	0.43	0.56	-23.21
Diluted earnings per share (RMB/share)	0.42	0.56	-25.00
Weighted average return on net assets (%)	3.27	4.66	Decreasing by 1.39 percentage points
	End of the Reporting Period	End of last year	Movement at the end of the Reporting Period compared with the end of last year (%)
Total assets	440,455,400	431,648,187	2.04
Total liabilities	308,064,869	297,952,964	3.39
Equity attributable to equity holders of the Company	121,867,203	123,127,983	-1.02
Share capital	8,713,940	8,713,934	0.00
Net assets per share attributable to equity holder of the Company (RMB/share)	13.99	14.13	-0.99
Gearing ratio (%) ^{Note}	61.89	61.50	Increasing by 0.39 percentage points

Note: Gearing ratio = (total liabilities - clients' fund)/(total assets - clients' fund)

Section II Company Profile and Key Financial Indicators

(II) Net capital and risk control indicators of the parent company

Unit: thousand yuan Currency: RMB

Item	At the end of the Reporting Period	At the end of last year
Net capital	87,646,339	96,365,266
Net assets	110,155,317	111,757,465
Risk coverage ratio (%)	298.07	312.79
Capital leverage ratio (%)	26.04	29.32
Liquidity coverage ratio (%)	446.45	364.80
Net stable funding ratio (%)	150.79	137.73
Net capital/Net assets (%)	79.57	86.23
Net capital/Liabilities (%)	57.80	63.04
Net assets/Liabilities (%)	72.65	73.11
Equity securities and derivatives held/Net capital (%)	31.86	27.92
Non-equity securities and derivatives held/Net capital (%)	124.99	82.27

VIII. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

☐ Applicable ☒ Not applicable

Section III Summary of Businesses of the Company

I. DESCRIPTION OF PRINCIPAL BUSINESSES, OPERATING MODEL AND INDUSTRY CONDITION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Principal businesses and operating model of the Company

Driven by customer demand, the Group established a business structure including institutional finance, personal finance, investment management and international business. Specifically:

Our institutional finance business comprises investment banking and institutional investor services. Our investment banking business provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and governmental clients. Our institutional investor services business provides PB, stock-pledged financing and securities repurchase, and research services to institutional investors. This business also conducts investment trading in equities, derivative financial instruments and FICC.

Our personal finance business provides securities and futures brokerage, margin financing and securities lending, wealth management, and financial planning services to individual clients through both offline and online channels.

Our investment management business provides asset management and fund management services to institutions and individuals, and also includes alternative investment business.

In respect of the international business, the Group built an international business platform around Guotai Junan Financial Holdings and conducts brokerage, corporate finance, asset management, loans and financing services, as well as financial products, market making and investment businesses in Hong Kong mainly through Guotai Junan International. Meanwhile, the Group expanded its business presence into the United States and Singapore.

The Group is customer-focused, has created the two major service systems of retail customers and corporate institutional customers, and generates fee and commission income through the provision of securities products and services and receives investment gains through securities or alternative investment.

In the first half of 2018, the Group recorded total revenue and other income of RMB15.935 billion, representing an increase of 0.5% compared with the same period of last year. Profit for the year attributable to equity holders of the Company was RMB4.009 billion representing a decrease of 15.71% compared with the same period of last year. For details of the Group's operation condition, please refer to "Section IV Discussion and Analysis of Operation Condition" of this interim results announcement.

Section III Summary of Businesses of the Company

The Group's business composition and income drivers for the first half of 2018

Principal business category	Total revenue and other Income (RMB'000)	Change (%)	Contribution to total revenue and other income (%)
Institutional finance	6,432,040	-4.78	40.35
Personal finance	5,769,366	-4.14	36.21
Investment management	1,768,127	46.42	11.10
International business	1,326,933	5.78	8.33
Others	638,533	2.94	4.01
Total	15,934,999	0.50	100.00

(II) Description of the status of the industry

The profitability of the PRC securities industry is driven by brokerage, proprietary trading, underwriting, margin trading and asset management businesses. This leads to the revenue and profits of the industry being more dependent on the trends of the securities market and relatively more cyclical and volatile. Over the past two decades, with the development of the PRC securities market, the PRC securities industry has continued to standardize and expand. The securities companies have gradually accelerated their pace of innovation, expanded their business scope, improved their profitability and enhanced their risk resistance capacity. Meanwhile, along with the change in the booming cycle of the securities market, the profit level of the PRC securities industry also experienced substantial fluctuations, clearly reflecting a strong cyclical nature.

According to statistics of the SAC, as of 30 June 2018, the total assets and net assets of the PRC securities industry amounted to RMB6.38 trillion and RMB1.86 trillion, respectively, representing an increase of 3.85% and 0.45% respectively compared with the end of last year; net capital was RMB 1.56 trillion, representing a decrease of 0.81% compared with the end of 2017; during the Reporting Period, the PRC securities industry recorded an operating revenue of RMB126.572 billion and net profit of RMB32.861 billion, representing a decrease of 11.92% and 40.53% respectively, compared with the corresponding period of last year. Cyclical characteristics of the industry have emerged.

Section III Summary of Businesses of the Company

(III) Position of the Company in the Industry

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as a comprehensive industry leader. Since its establishment, the Group has maintained strong comprehensive competitiveness, ranking top in the industry in terms of capital scale, profitability, business strength and risk management capability. So far, the Company has attained the rating of Class A Grade AA in the classification and evaluation of securities companies for 11 consecutive years.

According to the Statistics of the SAC, in the first half of 2018, the Company ranked second in the industry in terms of the operating revenue, net profit, total asset and net asset of the Company respectively, and ranked first in the industry in terms net capital.

II. SIGNIFICANT CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

√ Applicable ☐ Not applicable

At the end of June 2018, total assets of the Group amounted to RMB440.455 billion, representing an increase of 2.04% compared with the beginning of the period. Among our total assets, cash and bank balances amounted to RMB20.874 billion, representing an increase of 30.58% compared with the beginning of the period, due to the fluctuation under ordinary operation of the Group; cash held on behalf of brokerage customers amounted to RMB87.058 billion, representing an increase of 9.54% compared with the beginning of the period, mainly due to the increase in cash held on behalf of brokerage customers; margin accounts receivable amounted to RMB62.165 billion, representing a decrease of 15.97% compared with the beginning of the period, mainly due to the decrease in the scale of margin loans and securities lending; financial assets held under resale agreements amounted to RMB74.541 billion, representing a decrease of 19.50% compared with the beginning of the period, mainly due to the decrease of the Group's stock pledge business; financial assets at fair value through profit or loss amounted to RMB116.089 billion, representing an increase of 17.85% compared with the beginning of the period, mainly due to the adjustment by the Group of the trading and investment structure; during this reporting period, due to the implementation by the Group of new financial instrument standards and the adoption of the Financial Statement Format of Securities Companies (《證券公司財務報表格式》) amended by the Accounting Department of the CSRC, the item of available-for-sale financial assets was no longer adopted, and the item of debt instruments at fair value through other comprehensive income and the item of equity instruments at fair value through other comprehensive income were added. Balance at the end of the period of these items amounted to nil, RMB25.753 billion and RMB20.961 billion, respectively; and balance at the end of last year amounted to RMB39.972 billion, nil and nil, respectively.

Of which: offshore assets amounted to 716.95 (Unit: 100 million Currency: RMB), and accounted for 16.28% of our total assets.

Section III Summary of Businesses of the Company

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

√ Applicable □ Not applicable

The Group's core competency can be embodied in the following three aspects:

(I) Deeply rooted culture of risk management and excellence

Since its inception, the Group has developed the operational philosophy and corporate culture of implementing reform and innovation and striving for progress, which propelled the long-term consistent and across-the-board development of the Group. In recent years, the Group actively practices the "Guotai Junan Consensus", thereby further enhancing our cohesiveness and culture recognition.

The Group firmly believes that risk management is the core competency of securities companies. During the Reporting Period, the Group implemented account consolidation management and strengthened comprehensive risk management system. The compliance and risk management capability of the Group further improved. So far, the Group has attained the regulatory rating of Class A Grade AA from the CSRC for 11 consecutive years.

In pursuit of excellence, the Group endeavors to select the best talents to provide the best services for customers. In the first half of 2018, the Group established a performance appraisal committee to strengthen the appraisal and incentives system for cadres continuously improving the remuneration and performance management system. Meanwhile, the Group accelerated the building of service system for retail customers and corporate and institutional customers and optimized financial product system. Customer base was further expanded. At the end of the Reporting Period, the Group's institutional customers reached 26.6 thousand, increasing by 2.84% compared with the end of last year, personal financial accounts exceeded 12.11 million, increasing by 8.86% compared with the end of last year, and the entrusted customer transaction settlement funds were RMB62.37 billion, increasing by 8.26% compared with the end of last year.

(II) Across-the-board leader in the PRC capital market

As a consistent leader in terms of business scale, we have strong profitability. From 2007 to 2017, the Group's net profit ranked among the top three companies in the industry. From 2011 to 2017, the Group's operating revenue and total assets ranked among the top three companies in the industry for seven consecutive years. In the first half of 2018, the Company's operating revenue and net profit, total assets and net assets ranked second in the industry while the net capital ranked first in the industry.

The Group has a comprehensive and balanced combination of businesses and its principal businesses rank at the top of the industry. During the Reporting Period, in respect of the institutional finance business, the Group's equity financing underwritten amount ranked third in the industry; the margin loans for stockpledged financing ranked third in the industry. In respect of the personal finance business, the Company's net revenue from securities brokerage business (including seat leasing) ranked first in the industry; the Company's net revenue from agency sale of financial product business ranked first in the industry; and the cumulative amount of futures trading by Guotai Junan Futures at China Financial Futures Exchange ranked third in the industry. In respect of investment management, our commissioned funds of the asset management business ranked third in the industry, and monthly average balance of assets under discretionary management ranked second in the industry. In respect of the international business, the major operating indicators of Guotai Junan International continued to rank high in among Chinese security dealers in Hong Kong.

Section III Summary of Businesses of the Company

(III) Pioneer of Technology and Innovation in the PRC Securities Industry

The Group makes strategic investments in technology and continuously promotes proprietary financial technology innovation. The Group is a frontrunner in the application of financial technology in the securities industry. During the Reporting Period, the Group vigorously promoted digital construction and built a digital and intelligent financial platform, with the constant enhancement of financial technology strength. At the end of the Reporting Period, the number of users of our mobile APP amounted nearly 25 million, representing an increase of 12% compared with the end of last year and the amount of monthly activity ranked first in the industry. In April 2018, the Group won awards for 4 projects in total in the 6th Science and Technology Awards Regarding Securities and Futures, ranking first in the industry.

The Group has outstanding innovation capability and is one of the frontrunners in industry innovation. Starting from 2018, the Company obtained qualifications for cross border business, business of liquidation agency of RMB interest rate swap, business of central clearing for credit default swap and first-class dealer for over-the-counter options. The Company was also one of the first batch of mutual funds clearing participants. The innovation in areas, such as FICC, PB, private fund management, wealth management and financial technology, push forward steadily. The competitiveness was further improved.

Section IV Discussion and Analysis of Operation Condition

I. DISCUSSION AND ANALYSIS OF OPERATION CONDITION

(I) Overall operation condition

In the first half of 2018, facing complicated business environment, the Group adhered to the operation policy of steady progress and resolutely implemented the risk control oriented business philosophy to fully implement strategic planning, achieving positive progress in all work.

During the Reporting Period, the Group accelerated construction of the customer service systems for retail customers and corporate institutions resulting in further strengthened customer base; continued optimization of the financial product system with significant improvement in product structure and quality; optimized the layout of investment management business with significant progress in the buyer business; pragmatically promoted internationalization with steadily improved cross-border service capability; speeded up digitization; deepened matrix management and continually optimized the long-term assessment and incentive mechanism with enhanced synergy effect of the Group; adhered to the bottom line of compliance and further strengthened the comprehensive risk management system. The overall operation of the Group was sound and the financial condition was strong. So far, the Company has attained the rating of Class A Grade AA in the securities industry for 11 consecutive years.

(II) Analysis of principal businesses

1. Institutional finance

(1) *The investment banking business*

According to Wind Info statistics, in the first half of 2018, the total amount of financing underwritten by securities companies was RMB2,354.554 billion, representing a year-on-year increase of 18.50%, of which, total equity financing amounted to RMB428.54 billion, representing a year-on-year increase of 2.41%; total amount of bond financing underwritten by securities companies was RMB1,926.014 billion, representing a year-on-year increase of 22.79%. The M&A market has completed M&A involving transaction amount of RMB 625.689 billion, representing a year-on-year decrease of 28.34%.

In the first half of 2018, the Group's investment banking business focused on development of key customer with main focus on promoting IPO business, optimized selection of refinancing projects, and optimizing bond business structure.

The Group completed securities lead underwriting of RMB142.508 billion, representing a year-on-year increase of 11.34% and a market share of 6.05%, ranking 5th in the industry. In particular, our lead underwriting of equity financing amounted to RMB56.359 billion, representing a year-on-year increase of 81.28% and a market share of 13.15%, ranking third in the industry; the number of projects in the M&A and restructuring businesses which had been examined and reviewed by the CSRC was five, ranking second in the industry and involving a transaction amount of RMB13.818 billion.

Section IV Discussion and Analysis of Operation Condition

Change in the scale of the Group's investment banking business in the first half of 2018

		Reporting Period	Corresponding period of last year
IPO	Number of lead underwritings	4	9
	Amount of lead underwritings (RMB billion)	2.869	6.568
Preferred shares	Number of lead underwritings	1	—
	Amount of lead underwritings (RMB billion)	26.000	—
Refinancing	Number of lead underwritings	10	10
	Amount of lead underwritings (RMB billion)	27.49	24.522
Enterprise bonds	Number of lead underwritings	2	7
	Amount of lead underwritings (RMB billion)	2.467	10.690
Corporate bonds	Number of lead underwritings	53	41
	Amount of lead underwritings (RMB billion)	26.946	24.976
Other bonds	Number of lead underwritings	72	80
	Amount of lead underwritings (RMB billion)	56.737	61.239

Source: Wind Info

Note: statistical calibers of the financing products include IPO, new issuance, placing, preferred shares, convertible bonds, exchangeable bonds, corporate bonds, enterprise bonds, short-term financing bills, medium-term notes, private placement notes, financial bonds and asset-backed securities.

(2) Institutional investor services

1) PB business

In the first half of 2018, the Group fully promoted the establishment of integrated service system for corporate and institutional customers, The key systems and integrated service accounts began trial operation. The effect of system operation was initially displayed. Business innovation and internalized development were promoted in PB business and the Company was among the first batch of mutual funds clearing participants.

As of the end of June 2018, the Group had 26,640 institutional customers, an increase of 2.84% compared with the end of 2017. In the first half of 2018, the new online products of our asset custodian and outsourcing business amounted to 1,556, and the aggregate products of our asset custodian and outsourcing business amounted to 6,680, increasing by 12.70% compared with the end of last year, and its scale was RMB863.9 billion, increasing by 14.42% compared with the end of last year, ranking second in the industry. In particular, the assets under our custody from mutual funds amounted to RMB50.9 billion, ranking first among securities companies.

Section IV Discussion and Analysis of Operation Condition

2) *Trading and investment business*

In the first half of 2018, the Group's trading and investment business actively optimized asset allocation and adhered to the development of various low-risk, non-directional businesses. The contribution from quantitative hedging, foreign exchange, commodities, precious metals and other businesses increased significantly. The scale of exchange-traded option market-making for equity and stock index ranked first in the industry. Precious metal options accounted for more than 30% of the total market size, and cumulative trading volume of interest rate swaps ranked first among securities companies. In August 2018, the Company obtained the qualification of first-class dealer for over-the-counter options.

Customer demand-oriented business accelerated innovation, variety and structure further enriched, scale of OTC options grew steadily, and cross-border business issued a number of structured notes products linking to overseas targets. During the Reporting Period, the cumulative issuance of customer demand-oriented business exceeded RMB70 billion.

3) *Stock-pledging business*

According to the statistics of SAC, the fund size of the stock pledging business in the market as of the end of June 2018 was RMB 770.123 billion, decreasing by 6.07% compared with the end of last year.

During the Reporting Period, the Group's stock pledge business adhered to stable operations, strengthened risk prevention, and optimized business model and business structure, with effective control of business risk. At the end of the Reporting Period, the outstanding balance of the Group's stock pledging business was RMB67.127 billion, decreasing by 26.05% compared with the end of 2017, among which the balance of margin loans amounted to RMB56.25 billion, decreasing by 27.54% compared with the end of 2017 and the scale of margin loans ranked third in the industry.

4) *Research business*

In the first half of 2018, the Company's research institute further enhanced its internal services, built a global research system and established a sound research function for the seller's industry and global asset allocation. In the first half of 2018, we completed a total of 2,572 research reports and held 195 theme telephone roadshows and held three times of large-scale strategy meetings and forum.

Section IV Discussion and Analysis of Operation Condition

2. Personal finance

(1) Retail brokerage business

According to statistics of SSE and SZSE, in the first half of 2018, the daily average trading volume of stock and fund transaction in SSE and SZSE was RMB 483.4 billion, representing an increase of 1.2% compared with the same period last year.

The Group's securities brokerage business fully promoted construction of the retail customer service system, further optimizing the account system and the intelligent customer service platform and maintaining its leading position in the industry.

During the Reporting Period, the Group had a market share of 5.14% in stock and fund trading, a market share of 5.57% in net revenue from the securities brokerage business (including seat leasing) of the Company, ranking first in the industry. At the Reporting Period, the Group's personal financial accounts amounted to 12.11 million, increasing by 8.86% compared with the end of last year. In particular, our number of A Shares capital accounts ranked third in the industry; the Jun Hong APP, a mobile application with nearly 25 million users, ranked first in the industry in terms of monthly customers activeness.

Change in the scale of the Group's securities brokerage business in the first half of 2018 (Unit: RMB billion)

		Reporting	Corresponding
		Period	period of
			last year
Item			
Stocks	Trading volume	5,154.410	5,397.343
	Market share	4.90%	5.19%
Securities investment funds	Trading volume	753.610	1,673.566
	Market share	7.57%	19.04%
Bonds	Trading volume	18,495.946	18,313.987
	Market share	7.90%	7.09%

Source: Wind Info. Bonds include debt securities repurchase.

In the first half of 2018, the aggregate number of board lots of the futures market was 1.405 billion (unilateral), representing a decrease of 4.93% compared with the same period of the last year. The aggregate trading volume of the futures market was RMB96.10 trillion (unilateral), representing an increase of 11.86% compared with the same period of the last year.

While Guotai Junan Futures focused on the brokerage business, it comprehensively laid out businesses such as asset management, risk management, international business and over-the-counter derivatives trading to strengthen professional service capabilities and improve customer service system. During the Reporting Period, the trading volume of both stock index futures and treasury bond futures ranked third in the industry; our brokerage income and customer equity also ranked third in the industry.

Section IV Discussion and Analysis of Operation Condition

Major business indicators of Guotai Junan Futures In the first half of 2018

Item	Reporting Period	Corresponding period of last year
Trading volume (RMB trillion)	5.29	5.06
Number of board lots (ten thousand)	6,670.74	7,512.53
Item	At the end of the Reporting Period	At the end of last year
Cumulative effective accounts (number)	92,514	83,221
Customer equity at the end of the period (RMB billion)	16.741	17.707

(2) Margin financing and securities lending business

At the end of June 2018, the balance of margin financing and securities lending in the market amounted to RMB919.382 billion, decreasing by 10.41% compared with the end of last year.

In the first half of 2018, on the basis of strengthening counter-cyclical adjustment, the Group's margin financing and securities lending business optimized the classified and hierarchical refined service systems, strengthened its service offerings to institutional customers and high-net-worth customers and established differentiated risk early warning and identification mechanisms to effectively control business risks.

As of the end of June 2018, balance of the Group's margin loans and securities lending amounted to RMB54.851 billion, decreasing by 14.48% compared with the end of last year, with a market share of 5.97%. The balance of the margin and securities refinancing amounted to RMB3.778 billion, decreasing by 45.07% compared with the end of last year.

Scale of margin financing and securities lending business of the Group at the end of June 2018 (Unit: RMB 100 million)

Item	At the end of the Reporting Period	At the end of last year
Balance of margin loans	542.74	635.62
Market value of securities lending	5.77	5.77
Balance of margin refinancing	37.00	67.00
Balance of securities refinancing	0.78	1.78

Section IV Discussion and Analysis of Operation Condition

(3) Wealth management business

During the Reporting Period, the Group focused on promoting the construction of financial product systems, upgrading its investment advisory-oriented, asset allocation-oriented service model, optimizing product structure and customer structure, and accelerating the transition to wealth management. At the end of the Reporting Period, the number of members of Jun Hong Fortune Club (君弘財富俱樂部) reached 0.7848 million, representing an increase of 6.24% compared with the end of the last year. The number of contract customers of investment consultants reached 0.143 million, representing an increase of 6.79% compared with the end of the last year. During the Reporting Period, the size maintained by the average monthly agency sales of financial products of the Company was RMB143.1 billion, representing an increase of 52.6% compared with 2017, and the net income from agency sales of financial products ranked first in the industry.

3. Investment management

(1) Asset management

According to the statistics of the Asset Management Association of China, as of the end of June 2018, the scale of asset management business of securities companies was RMB15.28 trillion in aggregate, representing a decrease of 7.51% compared with the end of the last year.

During the Reporting Period, Guotai Junan Asset Management focused on active management and strengthened product creation and business innovation with solid performance of business. During the Reporting Period, the scale of asset management of Guotai Junan Asset Management was RMB838.398 billion, representing a decrease of 5.46% compared with the end of the last year, of which the scale of discretionary management products was RMB326.480 billion (representing a decrease of 4.53% compared with the end of the last year), while the proportion of discretionary management was 39%. The scale of asset management ranked third in the industry and the average monthly scale of discretionary management products ranked second in the industry.

Section IV Discussion and Analysis of Operation Condition

Scale of asset management of Guotai Junan Asset Management in the first half of 2018 (RMB 100 million)

Item	At the end of the Reporting Period	At the end of last year
The scale of asset management business	8,383.98	8,868.36
Including: The scale of targeted asset management business	7,221.96	7,845.56
The scale of collective asset management business	767.92	644.82
The scale of specialized asset management business	394.10	377.98
The scale of discretionary management business	3,264.80	3,419.56

Note: The calculation of the scale of collective asset management business is based on the net management asset.

(2) Private fund management and alternative investment

According to the statistics of the Asset Management Association of China, as of the end of June 2018, the Asset Management Association of China has registered 23,903 private fund managers and 73,854 private equity funds, with a paid-up scale of RMB12.60 trillion, an increasing by 13.51% compared with the end of 2017.

In the first half of 2018, Guotai Junan Innovation Investment actively promoted the creation of parent funds with focus on five key industries and reserved high-quality industrial projects. In May 2018, Guotai Junan Innovation and Investment obtained the qualification of fund manager after filing with Asset Management Association of China. In July 2018, the work relating to the parent funds of Guotai Junan was initiated.

The overview of private equity investment business for the first half of 2018

	At the end of the Reporting Period	At the end of last year
Number of managed funds (unit)	38	47
Cumulative committed capital of managed funds (RMB100 million)	323.45	343.26
Cumulative paid-in capital of managed funds (RMB100 million)	217.13	213.29
Cumulative number of investment projects (unit)	101	115
Cumulative investment project amount (RMB100 million)	128.30	130.80

Section IV Discussion and Analysis of Operation Condition

The overview of principal investment business for the first half of 2018

	At the end of the Reporting Period	At the end of last year
Cumulative number of investment projects (unit)	23	25
Cumulative investment amount (RMB100 million)	8.73	9.04

(3) Fund management

According to statistics of the Asset Management Association of China, at the end of June 2018, the assets under management (AUM) of mutual funds management institutions was RMB12.70 trillion, representing an increase of 9.48% compared with the end of the last year. The AUM of the segregated accounts of fund management companies and its subsidiaries was RMB12.33 trillion, representing a decrease of 10.26% compared with the end of the last year.

In the first half of 2018, HuaAn Funds enhanced active management capabilities steadily. As of the end of June 2018, the AUM of mutual funds was RMB246.1 billion, increasing by 32.92% compared with the beginning of the year, while the AUM of its segregated accounts was RMB98.3 billion, decreasing by 11.60% compared with the beginning of the year.

4. International Business

The Group conducted brokerage, corporate finance, asset management, loans and financing, financial products, market-making and investment business in Hong Kong, mainly through Guotai Junan International. The Group has also expanded business presence into the United States and Singapore.

In the first half of 2018, Guotai Junan actively optimized customer structure and project structure of its interaction brokerage business, hence recording rapid growth of corporate institutional customers and significantly improved cross-selling capability.

Guotai Junan International's main income structure for the first half of 2018 (unit: HK\$'000)

	During the Reporting Period	During the same period of last year
Fee and commission income		
– Brokerage	271,437	289,210
– Corporate finance	335,355	441,590
– Asset management	10,561	14,513
Income from loans and financing	716,824	641,556
Gains from financial products, market making and investments	344,038	173,089
Total revenue	<u>1,678,215</u>	<u>1,559,958</u>

Section IV Discussion and Analysis of Operation Condition

(III) Analysis of financial statements

1 Analysis of consolidated statements of profit or loss

(1) Total revenue and other income structure

Unit: thousand yuan Currency: RMB

Items	January to June 2018		January to June 2017		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission income	5,348,120	33.56%	5,947,007	37.51%	-598,887	-10.07%
Interest income	6,448,884	40.47%	5,930,887	37.41%	517,997	8.73%
Net investment gains	2,334,708	14.65%	3,124,555	19.71%	-789,847	-25.28%
Total revenue	14,131,712	88.68%	15,002,449	94.63%	-870,737	-5.80%
Gains on disposal of a subsidiary	648,287	4.07%	—	0.00%	648,287	N/A
Other income and gains	1,155,000	7.25%	853,018	5.37%	301,982	35.40%
Total revenue and other income	15,934,999	100.00%	15,855,467	100.00%	79,532	0.50%

In the first half of 2018, the Group's total revenue and other income amounted to RMB15.935 billion, representing an increase of 0.50% compared with the same period of last year, among which:

Our fee and commission income, accounting for 33.56% of the total revenue and other income, decreased by 10.07% to RMB5.348 billion compared with the same period of last year, primarily due to decreased income of underwriting and sponsorship business in the first half of 2018;

The net investment gains, accounting for 14.65% of the total revenue and other income, decreased by 25.28% to RMB2.335 billion compared with the same period of last year, primarily due to the decrease in investment gains from the securities market;

Gains on disposal of a subsidiary amounted to RMB648 million, accounting for 4.07% of the total revenue and other income, primarily due to disposal of equity interest in GTJA Allianz Funds;

The other income and gains, accounting for 7.25% of the total revenue and other income, increased by 35.40% to RMB1.155 billion compared with the same period of last year, primarily due to the increase in trading volume of commodities.

Section IV Discussion and Analysis of Operation Condition

(2) Total expenses structure

Unit: thousand yuan Currency: RMB

Items	January to June 2018		January to June 2017		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission expenses	841,947	7.97%	982,820	10.68%	-140,873	-14.33%
Interest expenses	3,684,411	34.87%	3,071,645	33.37%	612,766	19.95%
Staff costs	3,472,078	32.86%	3,261,308	35.43%	210,770	6.46%
Depreciation and Amortization expenses	255,629	2.42%	223,954	2.43%	31,675	14.14%
Business tax and surcharges	84,066	0.80%	67,908	0.74%	16,158	23.79%
Other operating expenses and costs	1,762,399	16.68%	1,377,264	14.96%	385,135	27.96%
Provision for asset impairment losses	1,314	0.01%	219,778	2.39%	-218,464	-99.40%
Provision for credit impairment losses	464,222	4.39%	—	0.00%	464,222	N/A
Total expenses	10,566,066	100.00%	9,204,677	100.00%	1,361,389	14.79%

In the first half of 2018, the Group's total expenses amounted to RMB10.566 billion, representing an increase of 14.79% compared with the same period of last year, among which:

The interest expenses, accounting for 34.87% of total expenses, increased by 19.95% to RMB3.684 billion compared with the same period of last year, primarily due to the Group's adjusted liability structure;

The staff costs, accounting for 32.86% of the total expenses, increased by 6.46% to RMB3.472 billion compared with the same period of last year, primarily due to the increase in remuneration as the total revenue and other income increased.

During this reporting period, due to the implementation of new financial instrument standards and the adoption of the Financial Statement Format of Securities Companies (《證券公司財務報表格式》) amended by the Accounting Department of the CSRC, under the statement format, asset impairment losses exclude credit impairment losses and credit impairment losses reflect the impairment losses of financial assets provided using expected credit loss method. Asset impairment losses amounted to RMB1 million, accounting for 0.01% of total expenses; credit impairment losses amounted to RMB464 million, accounting for 4.39% of total expenses.

Section IV Discussion and Analysis of Operation Condition

2. Analysis of consolidated statements of cash flows

In the first half of 2018, the net increase in cash and cash equivalents of the Group was RMB5.042 billion, among which:

The net cash generated from operating activities was RMB32.649 billion, primarily resulting from positive movements in working capital, mainly reflecting (i) the decrease of RMB20.794 billion in financial assets held under resale agreements, due to the decrease in the scale of stock-pledged financing business of the Company; (ii) the decrease of RMB11.723 billion in margin loans, resulting from the decrease in scale of the margin financing and securities lending business of the Company; (iii) the increase of RMB8.67 billion in accounts payable to brokerage customers, due to the increase in the settlement funds of the transaction clients of brokerage business; (iv) profit before income tax of RMB5.463 billion. These cash inflows were partially offset by (i) the increase of RMB11.354 billion in financial instruments at fair value through profit or loss and derivative financial instruments, primarily resulting from investment of bonds, funds and other investment scales according to customer demand; (ii) the increase of RMB5.402 billion in cash held on behalf of brokerage customers, due to the increase in the settlement funds of the transactions clients of brokerage business.

The net cash generated from investing activities was RMB-16.789 billion, primarily due to the increase of RMB31.594 billion in cash paid to acquire financial assets at fair value through other comprehensive income and other investment assets, partially offset by the cash proceeds from the disposal of financial assets at fair value through other comprehensive income and other investment assets of RMB14.525 billion, reflecting our adjustment in trading and investment structure.

The net cash generated from financing activities was RMB-10.818 billion, primarily due to (i) the increase of RMB41.857 billion in cash paid to repay bonds; (ii) the increase of RMB35.817 billion in cash paid to repay loans and borrowings. These cash outflows were partially offset by (i) cash received from loans and borrowings of RMB32.645 billion; (ii) cash received from the issuance short-term debt instruments of RMB30.685 billion.

Section IV Discussion and Analysis of Operation Condition

3. Analysis of consolidated statements of financial position

Unit: thousand yuan Currency: RMB

Items	30 June 2018		31 December 2017		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Non-current assets						
Property and equipment	3,809,566	0.86%	3,730,599	0.86%	78,967	2.12%
Prepaid land lease payments	794,850	0.18%	804,388	0.19%	-9,538	-1.19%
Goodwill	581,407	0.13%	581,407	0.13%	—	0.00%
Other intangible assets	1,422,259	0.32%	1,442,271	0.33%	-20,012	-1.39%
Investments in associates	1,333,460	0.30%	1,309,278	0.30%	24,182	1.85%
Investments in joint ventures	1,797,522	0.41%	2,303,249	0.53%	-505,727	-21.96%
Available-for-sale financial assets	—	0.00%	38,340,006	8.88%	-38,340,006	-100.00%
Debt instruments at fair value through						
other comprehensive income	22,419,799	5.09%	—	0.00%	22,419,799	N/A
Equity instruments at fair value through						
other comprehensive income	20,961,006	4.76%	—	0.00%	20,961,006	N/A
Financial assets held under resale agreements	15,246,535	3.46%	27,357,004	6.34%	-12,110,469	-44.27%
Financial assets at fair value through profit or loss	2,835,895	0.64%	300,000	0.07%	2,535,895	845.30%
Refundable deposits	8,062,516	1.83%	6,914,654	1.60%	1,147,862	16.60%
Deferred tax assets	648,067	0.15%	333,909	0.08%	314,158	94.08%
Other non-current assets	2,709,424	0.62%	677,498	0.16%	2,031,926	299.92%
Total	82,622,306	18.75%	84,094,263	19.47%	-1,471,957	-1.75%
Current assets						
Accounts receivable	3,771,266	0.86%	4,288,361	0.99%	-517,095	-12.06%
Other current assets	4,994,305	1.14%	6,270,510	1.45%	-1,276,205	-20.35%
Margin accounts receivable	62,165,360	14.11%	73,983,947	17.17%	-11,818,587	-15.97%
Available-for-sale financial assets	—	0.00%	1,631,794	0.38%	-1,631,794	-100.00%
Debt instruments at fair value through						
other comprehensive income	3,333,574	0.76%	—	0.00%	3,333,574	N/A
Financial assets held under resale agreements	59,294,610	13.46%	65,242,195	15.11%	-5,947,585	-9.12%
Financial assets at fair value through profit or loss	113,253,479	25.71%	98,202,115	22.75%	15,051,364	15.33%
Derivative financial assets	314,344	0.07%	315,233	0.07%	-889	-0.28%
Clearing settlement funds	2,773,658	0.63%	2,157,689	0.50%	615,969	28.55%
Cash held on behalf of brokerage customers	87,058,363	19.77%	79,476,131	18.41%	7,582,232	9.54%
Cash and bank balances	20,874,135	4.74%	15,985,949	3.70%	4,888,186	30.58%
Total	357,833,094	81.25%	347,553,924	80.53%	10,279,170	2.96%
Total assets	440,455,400	100.00%	431,648,187	100.00%	8,807,213	2.04%

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Items	30 June 2018		31 December 2017		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Current liabilities						
Loans and borrowings	8,659,014	2.81%	11,520,278	3.87%	-2,861,264	-24.84%
Short-term debt instruments	26,562,321	8.62%	36,454,635	12.24%	-9,892,314	-27.14%
Placements from other financial institutions	7,650,000	2.48%	7,600,000	2.55%	50,000	0.66%
Accounts payable to brokerage customers	93,025,907	30.20%	84,356,232	28.29%	8,669,675	10.28%
Employee benefits payable	4,255,185	1.38%	5,005,954	1.68%	-750,769	-15.00%
Income tax payable	1,015,963	0.33%	1,531,137	0.51%	-515,174	-33.65%
Financial assets sold under repurchase agreements	50,755,935	16.48%	43,849,585	14.72%	6,906,350	15.75%
Financial liabilities at fair value through profit or loss	29,710,343	9.64%	23,454,372	7.87%	6,255,971	26.67%
Derivative financial liabilities	184,717	0.06%	402,828	0.14%	-218,111	-54.14%
Bonds payable	3,302,235	1.07%	1,279,944	0.43%	2,022,291	158.00%
Other current liabilities	9,487,375	3.09%	8,656,571	2.91%	830,804	9.60%
Total	234,608,995	76.16%	224,111,536	75.21%	10,497,459	4.68%
Net current assets	123,224,099		123,442,388		-218,289	-0.18%
Non-current liabilities						
Bonds payable	72,529,549	23.54%	67,032,147	22.50%	5,497,402	8.20%
Employee benefits payable	—	0.00%	622,458	0.21%	-622,458	-100.00%
Deferred tax liabilities	98,690	0.03%	181,608	0.06%	-82,918	-45.66%
Financial assets sold under repurchase agreements	—	0.00%	3,000,000	1.01%	-3,000,000	-100.00%
Financial liabilities at fair value through profit or loss	621,662	0.20%	1,013,019	0.34%	-391,357	-38.63%
Other non-current liabilities	205,973	0.07%	1,992,196	0.67%	-1,786,223	-89.66%
Total	73,455,874	23.84%	73,841,428	24.79%	-385,554	-0.52%
Total liabilities	308,064,869	100.00%	297,952,964	100.00%	10,111,905	3.39%
Total equity	132,390,531		133,695,223		-1,304,692	-0.98%

As of 30 June 2018, the total assets of the Group was RMB440.455 billion, increased by 2.04% compared with the end of last year; the total liabilities was RMB308.065 billion, increased by 3.39% compared with the end of last year; the total equity was RMB132.391 billion, decreased by 0.98% compared with the end of last year.

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The asset of the Group was mainly comprised of: financial assets at fair value through profit or loss of RMB116.089 billion (26.35% of the total assets); cash held on behalf of brokerage customers of RMB87.058 billion (19.77% of the total assets); financial assets held under resale agreements amounting to RMB74.541 billion (16.92% of the total assets); margin accounts receivable of RMB62.165 billion (14.11% of the total asset); debt instruments at fair value through other comprehensive income of RMB25.753 billion (5.85% of the total assets), among which the current assets amounted to RMB357.833 billion and accounted for 81.25% of the total assets. The liquidity of the Group was fine with reasonable structure. In addition, the Group made impairment provisions for the assets showing impairment indications under market fluctuation and therefore the assets were of relatively high quality.

Non-current assets

As of 30 June 2018, our non-current assets amounted to RMB82.622 billion with a decrease of 1.75% compared with the end of last year. Among the non-current assets, the financial assets held under resale agreements amounted to RMB15.247 billion with a decrease of 44.27% compared with the end of last year, which was primarily due to the decline in our stock-pledged financing business scale. During the Reporting Period, new standards on financial instruments were adopted and the Format of Financial Statements for Securities Companies as amended by the Accounting Department of the CSRC was used. As a result, the accounting item of available-for-sale financial assets was no longer used and the new accounting items of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income were adopted and as at the end of this period, the balances of such items were nil, RMB22.420 billion and RMB20.961 billion as compared to RMB38.340 billion, nil and nil as at the end of last year.

Current assets

As of 30 June 2018, our current assets amounted to RMB357.833 billion with an increase of 2.96% compared with the end of last year. Among the current assets, financial assets at fair value through profit or loss amounted to RMB113.253 billion with an increase of 15.33% compared with the end of last year, primarily because the investment of bonds, funds and other investment scales to meet customer demand increased. The margin accounts receivable amounted to RMB62.165 billion with a decrease of 15.97% compared with the end of last year, which was primarily due to the decreased size of margin financing and securities lending business given the securities market condition. The financial assets held under resale agreements amounted to RMB59.295 billion with a decrease of 9.12% compared with the end of last year, which was primarily due to the decline in our stock-pledged financing business. From this Reporting Period, the new standards relating to financial instruments were implemented and the Financial Statement Formats for Securities Companies amended by the Accounting Department of CSRC were adopted, the accounting item of available-for-sale financial assets was no longer used and the accounting item of debt instrument at fair value through other comprehensive income was newly adopted. As at the end of this period, the balances of such items were nil and RMB3.334 billion, respectively; the balances at the end of last year were RMB1.632 billion and nil, respectively.

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Current liabilities

As of 30 June 2018, our current liabilities amounted to RMB234.609 billion with a increase of 4.68% compared with the end of last year. Among the current liabilities, accounts payable to brokerage customers amounted to RMB93.026 billion with an increase of 10.28% compared with the end of last year, primarily due to the impact of the market conditions; financial assets sold under repurchase agreements amounted to RMB50.756 billion with an increase of 15.75% compared with the end of last year; financial liabilities at fair value through profit or loss amounted to RMB29.710 billion with a increase of 26.67% compared with the end of last year; short-term debt instruments amounted to RMB26.562 billion with a decrease of 27.14% compared with the end of last year, primarily due to the repayment of structured notes which were due.

Non-current liabilities

As of 30 June 2018, our non-current liabilities amounted to RMB73.456 billion with an decrease of 0.52% compared with the end of last year, primarily due to the decrease in financial assets sold under repurchase agreements compared with the end of last year.

Equity

The equity attributable to equity holders of the Company decreased by 1.02% from the end of last year to RMB121.867 billion as of 30 June 2018. The gearing ratio of the Group was 61.89% as of 30 June 2018, increased by 0.39 percentage points compared with that of last year, given the Group's reasonable and stable assets liability structure.

Major restricted assets at the end of the Reporting Period

For details of assets with restricted ownership or use rights, please refer to notes 28, 30, 38 and 40 to the interim condensed consolidated financial statements.

4. Borrowings and debt financing

As of 30 June 2018, the total borrowings and debt financing of the Group amounted to RMB111.053 billion, of which a detailed breakdown was as follows:

Unit: thousand yuan Currency: RMB

	30 June 2018	31 December 2017
Loans and borrowings	8,659,014	11,520,278
Short-term debt instruments	26,562,321	36,454,635
Bonds payable	75,831,784	68,312,091
Total	<u>111,053,119</u>	<u>116,287,004</u>

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For the details of the interest rate and the terms of the loans and borrowings, short-term debt instruments and bonds payable, please refer to notes 42, 43 and 49 to the interim condensed consolidated financial statements.

Except for the borrowings and debt financing, the Group obtained funds through placements from other financial institutions and financial assets sold under repurchase agreements. As of 30 June 2018, the placements from other financial institutions was RMB7.650 billion while the financial assets sold under repurchase agreements was RMB50.756 billion. The total debt was RMB169.459 billion.

Except for the liabilities disclosed in this report, the Group did not have, as of 30 June 2018, any outstanding mortgages, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, guarantees or other material contingent liabilities.

(IV) Analysis of investment condition

1. Overall analysis of external equity investments

As at the end of the Reporting Period, the Group obtained material equity investment and material non-equity investment, which was as follows:

(1) Material equity investments

☐ Applicable ☒ Not applicable

(2) Material non-equity investments

Office buildings in Jingan District, Shanghai: Guoxiang Properties, a subsidiary of the Company, received planning permission for a construction project and a construction permit for pile foundations for land lot No. 49 in Jing'an District on 23 June 2014 and commenced construction in June 2014. The project is expected to be completed in 3 years and the investment budget is RMB1.624 billion. According to the resolution in the second meeting of the fifth session of the Board in 2016, the total investment amount for this project was adjusted to RMB1.879 billion by adding another project investment of RMB255 million. The additional investment for the project was RMB103 million in 2018. The accumulative investment of the project was RMB1.455 billion as of 30 June 2018.

Section IV Discussion and Analysis of Operation Condition

(3) Financial assets measured at fair value

Unit: thousand yuan Currency: RMB

Name of Items	30 June 2018		January to June 2018		
	Initial investment cost/ nominal amount	Fair value	Net amount of purchase or sale	Investment revenue	Profit or losses from fair value changes
Financial assets at fair value					
through profit or loss	117,622,095	116,089,374	18,381,014	2,347,592	-3,404,708
Debt instruments at fair value					
through other comprehensive income	25,544,471	25,753,373	5,181,483	497,229	—
Equity instruments at fair value					
through other comprehensive income	20,762,407	20,961,006	5,176,661	173,228	—
Financial liabilities at fair value					
through profit or loss	32,665,231	30,332,005	8,460,470	-224,796	2,600,622
Derivative financial instruments	<u>1,172,702,075</u>	<u>129,627</u>	<u>576,291,677</u>	<u>362,374</u>	<u>-16,831</u>

(4) Material assets and equity disposal

In order to optimize the asset management business structure, on 9 January 2017, the Company offered its 51% equity interest in GTJA Allianz Funds for transfer on the Shanghai United Assets and Equity Exchange. Pacific Asset Management Co., Ltd. became the transferee of such stake at a price of RMB1,045 million and has already paid the full amount. On 28 March 2018, the CSRC issued a Written Reply on Approving the Change of Equity Interest in GTJA Allianz Funds (Zheng Jian Xu Ke No. [2018] 557) which approved the Company to transfer 51% equity interest to Pacific Asset Management Co., Ltd. Gains on disposal of GTJA Allianz Funds accounted for 11.87% of the profit before income tax. For details, please refer to note 8 to the interim condensed consolidated financial statements..

(V) Analysis of main holding companies

1. Guotai Junan Financial Holdings

Guotai Junan Financial Holdings primarily conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong through Guotai Junan International and its subsidiaries.

The paid-up capital of Guotai Junan Financial Holdings is HK\$31.98 million and the Company holds 100% of its equity interests.

As of 30 June 2018, the total assets of Guotai Junan Financial Holdings was RMB71.695 billion with net assets of RMB9.196 billion; in the first half of 2018, its operating revenue was RMB945 million and its net profit was RMB357 million.

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2. Guotai Junan Asset Management

Guotai Junan Asset Management is principally engaged in securities asset management business.

The registered capital of Guotai Junan Asset Management is RMB2 billion and the Company holds 100% of its equity interests.

As of 30 June 2018, the total assets of Guotai Junan Asset Management was RMB6.656 billion with net assets of RMB4.546 billion; in the first half of 2018, its operating revenue was RMB1.021 billion and its net profit was RMB400 million.

3. Guotai Junan Futures

Guotai Junan Futures is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consulting and investment management.

The registered capital of Guotai Junan Futures is RMB1.2 billion and the Company holds 100% of its equity interests.

As of 30 June 2018, the total assets of Guotai Junan Futures was RMB19.911 billion with net assets of RMB2.768 billion; in the first half of 2018, its operating revenue was RMB1.011 billion and its net profit was RMB174 million.

4. Guotai Junan Innovation Investment

Guotai Junan Innovation Investment is principally engaged in conducting equity investments in the domestic enterprises and providing financial advisory services of direct investment to clients.

The registered capital of Guotai Junan Innovation Investment was RMB7.5 billion and the Company holds 100% of its equity interests.

As of 30 June 2018, the total assets of Guotai Junan Innovation Investment was RMB8.813 billion with net assets of RMB7.840 billion; in the first half of 2018, its operating revenue was RMB294 million and its net profit was RMB155 million.

5. Shanghai Securities

Shanghai Securities is principally engaged in securities brokerage; securities investment consultation; financial advisory relating to securities trading and securities investment; securities (exclusive of stocks and corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; agency sale of securities investment fund; intermediary business for futures companies; margin financing and securities lending; agency sale of financial products.

The registered capital of Shanghai Securities is RMB2.61 billion and the Company holds 51% of its equity interests.

As of 30 June 2018, the total assets of Shanghai Securities was RMB29.890 billion with net assets of RMB10.047 billion; in the first half of 2018, its operating revenue was RMB373 million and its net profit was RMB62 million.

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6. Guotai Junan Zhengyu

Guotai Junan Zhengyu is principally engaged in equity investment, financial product investment, and businesses as stipulated in the management norms of alternative investment subsidiaries of securities companies.

The registered capital of Guotai Junan Zhengyu was RMB1 billion and the Company holds 100% of its equity interests.

As of 30 June 2018, the total assets of Guotai Junan Zhengyu was RMB1.010 billion with net assets of RMB1.010 billion; in the first half of 2018, its operating revenue was RMB11 million and its net profit was RMB10 million.

7. HuaAn Funds

HuaAn Funds is principally engaged in fund establishment, management of fund business and other businesses approved by CSRC.

The registered capital of HuaAn Funds is RMB150 million and the Company holds 20% in its equity interests.

As of 30 June 2018, the total assets of HuaAn Funds was RMB3.360 billion with net assets of RMB2.417 billion; in the first half of 2018, its operating revenue was RMB806 million and its net profit was RMB236 million.

(VI) The situation of structured entities controlled by the Company

As of 30 June 2018, the Group consolidated 28 structured entities, which include asset management schemes and partnerships. For those asset management schemes where the Group is involved as a manager and partnerships where the Group is involved as general partner or investment manager, the Group considered that it has control rights over some asset management schemes and partnerships and incorporated them into the consolidated category after comprehensively taking into account various factors such as the investment decision rights they owned and their exposures to the variable returns. As at 30 June 2018, the impacts of the above structured entities which were incorporated into the consolidated category on the Group's consolidated total assets, consolidated operating income and consolidated net profit were RMB3.464 billion, RMB11 million and RMB13 million, respectively.

Section IV Discussion and Analysis of Operation Condition

(VII) Principal financing channel, structure of long and short term liabilities, measures taken and management policies adopted to maintain liquidity, financing ability, contingent matters and their effects on financial conditions

In the PRC, the Company mainly uses financing products such as interbank borrowings, debt securities repurchase, short-term financing bills, corporate bonds, subordinated bonds, structured notes, convertible bonds, new issuance and placing to conduct short-term financing and medium to long-term financing through various venues including exchanges and interbank and over-the-counter markets according to relevant policies and regulations and market environment and its own needs. The Company may also obtain foreign funds through placing, convertible bonds, rights issue and issuance of medium-term notes, etc., thereby supporting the Company's overseas business development.

In order to maintain the liquidity and yield rate of its assets, the Company has established a liquidity reserve pool system as well as mechanisms connecting the management and operation of proprietary funds and liquidity, whereby the Company has established explicit responsibility division and authorization mechanism for the departments involved therein and improved the professionalism of liquidity management and operation. The Company has established and improved its financing strategies by continuously improving the diversity and stability of its source of funding, thus effectively maintaining its overall liquidity condition at a relatively safe level. In respect of liquidity operation, the Company always maintains short-term financing channels, such as relatively stable interbank borrowing and repurchase, in domestic exchanges and interbank markets and continuously exploits new trading methods and counterparties.

In order to maintain a balance between liquidity and profitability, the Company holds a certain number of fixed income products. Changes in interest rates will have a direct impact on the interest income from the cash held by the Company, the market price of the bond investment and the investment income. Meanwhile, equity investments of the Company are also impacted indirectly by changes in interest rates. In addition, since the Company has subsidiaries which are incorporated outside Mainland China, the Company contributes capital with foreign currency. As the Company has foreign currency-denominated capital and assets and has raised funds through the issuance of bonds denominated in foreign currencies by its overseas subsidiaries, changes in exchange rates and overseas market interest rate levels will have certain impacts on the financial conditions of the Company. The Company fine-tunes the structures of its different classes of assets in a timely manner and utilizes corresponding hedging tools to mitigate the risks and the impacts of the aforesaid factors.

(VIII) USE OF PROCEEDS

In April and 9 May 2017 respectively, the Company issued 1,040,000,000 H Shares initially and issued 48,933,800 H Shares upon the exercise of the over-allotment option on the Hong Kong Stock Exchange with the total proceeds of HK\$17.24 billion. The actual proceeds amounted to HK\$16.801 billion after deducting fees in relation to issuance expenses.

As of 30 June 2018, the Company had settled and used HK\$14.281 billion, same as the end of 2017. The remaining proceeds of HK\$2.520 billion will continue to be used for the purpose set out in the section "Future Plans and Use of Proceeds" in the prospectus for the Global Offering of H Shares.

Section IV Discussion and Analysis of Operation Condition

II. OTHER DISCLOSURES

(I) The operation plan and goals for next reporting period and the strategies and actions adopted for achieving the goals

In the second half of 2018, the Group will continue its adherence to the operation goal of making progress while ensuring stability and strive for risk management and excellence. The Group will strive to achieve strategic goals and maintain long-term sustainable and comprehensive development in long term. Therefore, the Group will focus on works in the following three aspects: (1) strengthening the construction of the comprehensive compliance and risk control system, further enhancing the resilience of balance sheet and ensuring the stable operation of the Company; (2) strengthening the building of product system, enhancing digital capability, improving appraisal system, optimizing incentive mechanism, promoting the full implementation of both service systems for retail customers and corporate and institutional clients and enhancing the core competitiveness of main business; (3) grasping strategic opportunities, reserving key resources, reinforcing innovation and planning for the future.

(II) Warning and explanations for the forecast that the net profit for the period from the beginning of the year to the end of next reporting period may be negative or change significantly compared with that for the same period of last year

☐ Applicable ☒ Not applicable

(III) Potential risk exposures

☒ Applicable ☐ Not applicable

1. Overview

During the Reporting Period, the Company cultivated a healthy risk culture, followed the concept of “We believe that risk management creates value and future development relies on compliant operations”, continually established comprehensive risk management system, improved risk management system, optimized risk management organization structure, explored risk management models and methods, built up risk management information system, and enhanced the professional level of risk management, in order to ensure the long-term and healthy development of the Company.

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2. Risk management structure

The Company has established a four-level risk management system consisting of the Board (including risk control committee) and Supervisory Committee, operation management (including risk management committee and assets and liabilities management committee), risk management department, other business departments and branches and subsidiaries.

1) The Board (including risk control committee) and Supervisory Committee

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Company. The Board is responsible for promoting the construction of risk culture; reviewing and approving the fundamental risk management policies of the Company; reviewing and approving the Company's risk appetite, risk tolerance and major risk limits; reviewing periodic risk assessment report; appointment, dismissal and assessment of the chief risk officer, determining his/her remuneration; establishing a mechanism for communicating with the chief risk officer directly. The Board of the Company has established a risk control committee, which is responsible for reviewing the overall objectives and fundamental policies of risk management; reviewing the establishment and the duties of the risk management divisions; assessing the risks associated with significant business decisions and the solutions to address significant risks which are to be reviewed by the Board; reviewing various risk assessment reports; reviewing the effectiveness of the Company and its subsidiaries' risk management and internal control systems at least once a year in accordance with the instruction of the Board and making a report to Shareholders in Corporate Governance Report declaring that relevant review has been completed.

The Supervisory Committee is responsible for supervising comprehensive risk management of the Company, supervising and reviewing the performance of the risk management and rectification of defect.

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- 2) Operation management (including risk management committee and assets and liabilities management committee)

Our operation management takes the major responsibility of the comprehensive risk management of the Company; is responsible for organizing and implementing the publicity and dissemination of risk culture; establishes risk management system and makes timely adjustment; establishes a healthy operation management structure for the Company's comprehensive risk management and clarifies the duty division of comprehensive risk management among risk management functions, business departments and other departments; establishes the specific execution plans of risk appetite, risk tolerance and major risk limits, and ensures the effective implementation of the plans; monitors its progress, analyzes its reasons in a timely manner and handles it according to the authorizations granted by the Board; periodically assesses the overall risk of the Company and various types of important risk management conditions, resolves problems that are found in risk management and reports to the Board; establishes a performance assessment system for all staff that covers effectiveness of risk management; establishes a complete IT system and data quality control mechanism.

A risk management committee is set at the operation level of the Company, conducting overall management for the Company's operational risks, and reviewing and making decisions on major issues of risk management and performing following duties: reviewing arrangements and important systems for compliance risk control mechanism of the Company and its subsidiaries, making decisions or submitting to relevant decision-making bodies for consideration; reviewing the Company's basic policies for risk management, annual risk appetite, self-funded business scale, and maximum risk limits, reviewing the Company's semi-annual and annual compliance management, risk management reports, and annual internal control evaluation reports and submitting to the Board and the risk control committee of the Company for approval; within the scope of the Board's authorization, considering and determining various investment and financing business scales, risk limits allocation plans, and important risk control indicators and its major adjustments of the Company; considering and making decisions for new authorization of the Company's operations and management and authorization adjustments; reviewing and deciding the Company's annual economic capital allocation plan and adjustments; reviewing the Company's annual economic capital implementation report; reviewing the Company's major innovative business risks, compliance assessment report, making decisions and grant authorization; reviewing the Company's business matters that have major disputes in the risk assessment and risk control mechanism arrangement; considering the election of the first-line compliance risk control head, and the recommendation and appointment the risk control compliance head of the subsidiary; judging and identifying prospectively on regulatory situation and the risk situation, making decision for compliance risk control response; considering and deciding the disposal options for the Company's major risk issues; considering other matters of significant risk management in business activities.

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The member of risk management committee included the president, the chief risk officer, the chief compliance officer, the chief financial officer, the head of first risk management department, the head of second risk management department, the head of the planning and finance department, the head of the compliance department, the head of strategic management, the head of the audit department and the head of legal department.

3) Risk management departments

Our risk management departments include those which are specifically responsible for risk management, such as the first risk management department, the second risk management department, the compliance department, the legal department, the audit department and execution body of risk management committee, as well as departments that perform other risk management duties, such as the planning and finance department, the IT department, the operation center and the Board office.

Our first risk management department manages the market risks, credit risks, operational risks and liquidity risks of the Company, and performs specific risk management responsibilities; our second risk management department is responsible for the risk review and assessment of the Company's securities issuance business in the primary market; our compliance department is a department specialized in compliance management, which, under the lead of chief compliance officer, effectively identifies, assesses and prevents compliance risks of the Company; our legal department is a department that identifies, evaluates, notifies, monitors and reports the legal risks of the Company and effectively prevents legal risks and protects the Company from legal penalties, significant financial losses and damages to reputation; our audit department is responsible for independent and objective inspection, supervision, evaluation of and recommendations on the compliance and reasonableness of business, management, finance and other operations, on the security and profitability of assets, and on the comprehensiveness and effectiveness of internal controls among the Company's various departments, branches and controlled subsidiaries; the executive authority of risk management committee is responsible for the affairs of the risk management committee, including supervising the implementation of the risk management committee's resolutions, and undertaking the special risk management functions assigned by the Company. Our planning and finance department is responsible for the Company's budget planning, financial management, accounting, net capital management, liquidity management and liquidity risk management; our IT department is the management and operation body of the Company's IT, and is responsible for the planning, construction, operation and management of the Company's IT system, establishing and implementing IT-related system, assessing and controlling the Company's IT risks, and also responsible for the management of IT personals in branches; our operation center is the daily operation management department of the Company and is responsible for the centralized clearing, settlement, auditing, third-party depository operation and capital management of the Company's various businesses, and takes the responsibility of relevant risk management and control; our Board office is responsible for the management of the Company's reputation risk.

Section IV Discussion and Analysis of Operation Condition

4) Other business departments and branches

The key responsible persons of each of our business lines, subsidiaries and branches are the persons who are primarily responsible for risk control of each business units. In order to enhance the frontline risk responsibility consciousness, strengthen front end risk control, identify and prevent risk timely and effectively, the Company continuously strengthens the risk control function of each specialized management committees, business departments and branches, and enhances business frontline and subsidiary risk control, therefore enhancing the risk management mechanism and consciousness of frontline departments and subsidiaries and enabling them to communicate with specialized risk management departments actively and timely for risk issues of major operation matters, so that the Company can take more active and effective overall response measures, effectively improve the overall risk management level and adapt to the risk management requirement for business development.

3. Risk management system

The Company established a 4-level risk management system based on its business characteristics and level of operational risks and has been constantly perfecting it. The system, providing clear standards and guidance to daily risk management work, includes: measures on comprehensive risk management; various risk management measures based on different risks such as market risk, credit risk, operational risk and liquidity risk; risk management system on various business and products; and the practical business operation protocol. During the Reporting Period, the Company revised various types of risk management systems such as market risk, credit risk, operational risk and liquidity risk and the compliance risk control management system for subsidiaries from a group perspective in accordance with the latest regulatory requirements, formulated the model risk management system and the reputation risk management system, comprehensively revised the core management system for the investment banking business, and formulated and issued the assessment rules for compliance and risk management.

4. Risk appetite system

Risk appetite is the Company's full consideration of net capital, assets and liabilities, solvency, liquidity, external ratings and compliance operations in the process of achieving the stated goals on behalf of shareholders, and the Company's overall attitude towards risks, the type and level of risks it is willing to bear under the premise of meeting the requirements of stakeholders including creditors, customers, regulatory agencies and rating agencies.

The Company sorts out the expectation and requirement of respective interested parties (including Shareholders, regulatory authorities, rating agencies, the Board and senior management), sets specific goals based on the six core aspects (including development strategies, operation performance, capital strength, liquidity, compliance and external rating) and forms the Company's risk appetite system. On the basis of a complete overall risk appetite setting, the Company describes the risk boundaries of different dimensions such as overall risk and major risks through quantized risk tolerance indicators. Subject to risk appetite and risk tolerance, the Company sets limits on key risk indicators and conducts risk monitor and control based on those limits.

Section IV Discussion and Analysis of Operation Condition

During the Reporting Period, after consideration and approval by the Board, the Company defined the Group's risk appetite, tolerance and limit for 2018, and differentiated different dimensions such as risk types and subsidiaries for decomposition and transmission.

5. Measures against various risks

1) Market risks

Market risks are those that may cause loss to the Company due to unfavorable changes of market prices, which includes but not limited to interest rates, exchange rates, stock prices and commodity prices. The businesses of the Company that involve market risks mainly includes the transactions of equity securities and their derivatives, the transactions of fixed-income securities and their derivatives, foreign exchange transactions, precious metal contract transactions, commodity transactions and other proprietary investment businesses.

The Company implements boundary management for market risks and conducts business activities involving market risks on the premise that risks are measurable, controllable and bearable. The boundaries on market risks include the business scale limits, risk limits and various risk indicator limits.

The Company selects appropriate and general accepted measure methods according to different types of market risks, measures market risks based on reasonable assumptions and parameters, and continuously monitors the effectiveness of the models through methods such as return test. The Company establishes a stress test mechanism and conducts stress test on market risks timely according to its business development and changes of market, in order to assess the tolerance for risk and guide the determination and adjustment of market risk limits. The Company conducts daily monitoring for market risk limits using its risk management system and other related systems to monitor the operation of its businesses. We report relevant results of market risk monitoring and management conditions regularly or irregularly, and conduct specialized analysis on risk matters, in order to provide basic information and basis for risk management decisions of the management at relevant levels.

The Company mainly adopts the VaR evaluation system to measure and monitor market risks. VaR is a statistical risk measurement tool, which is used to estimate the potential loss of a potential market move to the Company's position in a normal market environment. The Company's VaR calculation adopts a historical parameter method based on historical data for the previous 6 months. Assuming that the holding period is one day, the tail loss confidence level is expected to be 95%. The Company regularly verifies the effectiveness of the VaR model through the back testing method. The Company evaluates whether its investment losses are within the affordable scope during extreme market conditions through stress testing as a supplement to VaR analysis.

Section IV Discussion and Analysis of Operation Condition

The following table sets forth the VaR of the Company by asset types as at the dates and for the periods indicated:

- (1) The daily VaR as of the end of the respective period;
- (2) The average value, the minimum value and maximum value of the daily VaR for the respective period;

Unit: Million Currency: RMB

Type	30 June	31 December	First Half of 2018		
	2018	2017	Average	Minimum	Maximum
Equity	151.11	63.82	98.45	59.98	260.09
Fixed Income	74.69	55.32	62.16	47.72	78.03
Derivative	26.36	8.62	23.48	6.67	38.60
Combination total	204.69	111.68	140.17	100.93	204.69

In the first half of 2018, the securities market experienced significant fluctuations. The Company continued to strengthen risk assessment and development monitoring in connection with relevant businesses such as trading and investment, and strengthened data matching and summary analysis with subsidiaries to achieve market risk measurement, analysis and monitoring covering subsidiaries.

2) Credit risks

Credit risks are those that may cause a loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuers, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity. The Company's current credit risks mainly concentrate on the bond investment business, OTC derivatives business, margin financing and securities lending business, and stock-pledged financing transaction businesses.

The Company implements access management for credit risks. Before conducting relevant businesses including credit risks, clients' credits will be rated. If the rating result is within the accessible credit rating, the credit may be granted and business may be carried out. Before the application for rating clients' credit and granting credit, each business department shall conduct due diligence, be diligent and responsible and obtain true information of clients. As for clients whose credit rates satisfy access conditions, the credit line shall be determined according to the particulars of clients.

Section IV Discussion and Analysis of Operation Condition

The Company mitigates credit risk through methods such as deposits, qualified collaterals and netting settlements. Each business department sets detailed access standards and discount rates for collaterals according to the characteristics of their specific business. Access standards and discount rates will be reviewed regularly. When there is a significant change of market or policies or there is a significant credit event related to the relevant entity applying for the credit, the access standards and discount rates shall be reviewed randomly. For collaterals other than cash, the Company conducts marking to market management and assesses collaterals' value periodically.

The Company analyzes credit risk factors of each business, identifies the credit risks for the business and conducts credit risks assessment. The Company uses analysis methods such as centralization, probability of default, default loss rate, credit exposure and collateral coverage rate as credit risk measures. The Company sets reasonable credit risk stress scenarios, conducts stress tests regularly and irregularly, analyzes the results of stress test and takes corresponding measures.

In the first half of 2018, the Company's credit risk was generally controllable, the average performance guarantee ratio of the stock-pledged financing business was 218%, and the margin financing and securities lending business maintained the guarantee ratio of 236%. The Company promoted the construction of a unified credit rating system for group customers, strengthened the centralized management of major customer financing, moderately reduced the scale of the stock-pledged financing business, and improved the credit risk measurement level.

3) Liquidity risks

Liquidity risks are those we might face when we are not able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation.

The Company mainly adopts the risk indicators analysis method to assess its overall liquidity risks, i.e., the Company assesses and measures its overall liquidity risk condition by analyzing key indicators such as the liquidity coverage rate, net stable funding ratio, liquidity gap ratio, liquidity ratio as well as asset and liability concentration. The Company establishes a liquidity risk limit system, conducts limit management on liquidity risks and monitors and reports the implementation of limits.

The Company conducts situational and modeled gap analysis by using cash flow analysis. Future cash flow that may be generated in the Company's business on and off-balance sheet will be credited to cash inflow and cash outflow for the specific periods respectively. The period mismatch net amount of cash flow will be calculated accordingly in order to check the mismatch of cash flow.

Section IV Discussion and Analysis of Operation Condition

The Company explores and maintains financing channels, continuously keeps an eye on the risk conditions of significant capital providers, monitors the conditions of significant capital providers' transactions with the Company and sets a trigger rate for their financing concentration and measures shall be taken when their financing concentration reaches the trigger rate. The Company concerns the changes of capital markets, assesses the ability and cost of supplementing its liquidity by issuing stocks, bonds and other financing instruments and mitigates its period mismatch by supplementing its middle-to-long term liquidity.

The Company establishes and continuously improves the contingency plan for liquidity risks, which includes taking measures such as transferring, decentralizing and reducing risks exposure to reduce the level of liquidity risks. The Company also establishes emergency response or standby systems, procedures and measures for natural disasters, system failures and other emergencies so as to reduce losses and reputation damages that the Company may suffer. The contingency plan will be checked and tested regularly and emergency response arrangements will be continually updated and improved.

In the first half of 2018, the overall market liquidity was relatively loose. The Company's liquidity coverage ratio and net stable funding ratio were both higher than the 100% lower limit of the regulatory requirement. The net size of the cash management pool was higher than the scale lower limit set by the Company and the overall liquidity status was good.

4) Operational risks

Operational risks are the possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events.

The Company establishes the self-evaluating procedure of operational risk and control. Each department and branch actively identifies operational risks in their internal system procedures, employee behaviors and IT systems, to ensure that the operational risks in existing and new businesses and management are adequately assessed. The Company has also compiled a risk management manual that will guide the daily operational risk management. The Company systematically gathers and organizes the information of the events of operational risk and lost data, establishes key operational risk indicative system and monitors its process, and prepares periodical reports. In terms of significant operational risk events, it will provide specific valuation reports to ensure that the management and the chief risk management officer could fully understand the operational risk situation of the Company in a timely manner, which in turn facilitates their decision-making regarding the response to the risks or the initiation of contingency plans.

In the first half of 2018, the Company's information technology and operational affairs ran smoothly and safely, without the occurrence of any major operational risk events. The Company comprehensively sorted out the inherent risks and residual risks of each risk point, upgraded the existing operational risk management system, and realized functions such as group-level risk events and lost data collection and key risk indicators monitoring.

Section IV Discussion and Analysis of Operation Condition

5) Reputational risk

Reputational risk is the risk of negative evaluation to the Company's reputation as a result of its operations, management and other actions or external events. The Company incorporates reputational risk management into a comprehensive risk management system, establishes a reputational risk management mechanism, and sets up a brand marketing center as the Company's reputational risk management department under the Board Office, requiring all departments, branches, sales offices and subsidiaries to actively and effectively prevent reputational risks and respond to reputational risk events, accurately identify, prudently evaluate, dynamically monitor, timely respond to and manage the reputational risks in the process of business management, and minimize losses and negative impacts on the Company's reputation and brand image.

In the first half of 2018, the Company established a reputational risk management system and improved the group reputational risk management mechanism. The Company's overall public sentiment was stable and no major reputational risk events occurred.

(IV) Other disclosures

√ Applicable ☐ Not applicable

1. Business innovation during the reporting period

The Group has remarkable innovation ability and is one of the pioneers in industry innovation. Since 2018, the Company has obtained qualifications for cross border pilot business and RMB interest rate return swap settlement agent business, business of central clearing for credit default swap, first-class dealer for OTC options, and was the first companies to act as clearing participant for mutual fund. Stable promotion and development in innovation fields, such as FICC, PB, private fund management, wealth management and fintech, have further enhanced our competitiveness.

2. Risk control for business innovation

(1) The Company has included business innovation in its comprehensive risk management system. Based on the development and risk profile of innovative business, the Company has established a complete decision-making mechanism, a management model and an organization structure catering for its business and formulated relevant compliance and risk management policies for the innovative business to standardize the risk management for the innovative business during the entire process. The sustainable and healthy development of each innovative business on the premise of building the capability to monitor, control and bear risks was ensured through risk assessment and determination, inspection before launch and continuous management for innovative business. Before the launch of innovative business, risk management department of the Company conducted compliance verification, identification and assessment, measurement analysis, and directed business department to improve internal control mechanism in relation to policies and procedures.

Section IV Discussion and Analysis of Operation Condition

- (2) The Company has established multi-level risk control and warning mechanism for innovative business and designed various risk control indicators and risk limits for each level based on the risk profile of the business, which enabled dynamic track to the risks of innovative business. In the course of each particular business, the specific compliance and risk controller of business department was responsible for overseeing the market and the risk management department I conducted independent monitoring, so as to prompt risk warning in case of abnormal risk control indicators and take corresponding risk control measures based on the level of the risk warning, therefore ensuring the risk level of innovative business at any time was within the tolerance of the Company.
- (3) The Company has established the policy of regular report and significant risk event report for innovative business to issue regular risk information report for the innovative business, ensuring that all the staff and senior management involved in innovative business were informed of all necessary business, risk and management information on a timely basis. When the operation of innovative business was impacted by reason of external market turmoil, internal management and technical system failure, which might result in significant loss to the interest or reputation of the Company, the responsible department or the internal control department that identified the risk shall immediately report to the business leader, the chief risk officer and the risk management department for the implementation of existing contingency plan or proposing new response plan based on the actual situation by the decision makers.
- (4) The Company conducted special review on the conduction of innovative business on a regular basis to improve the internal control and risk response capacity of the business. Such special review covered important steps of innovative business and management. Each of the related departments studied and analyzed the conduction and internal control mechanism of innovative business based on the findings of special review, improved the management policies, operation process and corresponding control mechanism, and completed the contingency plan for innovative business, ensuring the stable and healthy development of innovative business.

Section V Significant Events

I. INFORMATION OF GENERAL MEETINGS

Meeting session	Convening date	The address of the designated website for publishing resolutions	The disclosure date for publishing resolutions
Annual general meeting for 2017	18 May 2018	http://www.sse.com.cn/ http://www.hkexnews.hk/ http://www.gtja.com/	19 May 2018

General meetings

☒ Applicable ☐ Not applicable

During the Reporting Period, the Company convened a general meeting as follows:

The annual general meeting for 2017 of the Company was held in Shanghai on 18 May 2018, on which the Work Report of the Directors for 2017, the Work Report of the Supervisors for 2017, the Resolution on Proposing to Review the Profit Distribution Plan of the Company for 2017, the Resolution on Proposing to Consider the Reappointment of Accounting Firm, the Resolution on Proposing to Review the Annual Report of the Company for 2017, the Resolution on Anticipated Related Party Transactions of the Company for 2018, the Resolution on Election of Mr. LIN Facheng and Mr. ZHOU Hao as Directors of the Company, the Resolution on Election of Mr. FENG Xiaodong as a Supervisor of the Company, the Resolution on Proposing to Review the General Mandate Granted by the Company to Issue Onshore and Offshore Debt Financing Instruments, the Resolution on Proposing to Review the General Mandate Granted by the Company to Issue Asset-backed Securities, the Resolution on Proposing to Review Potential Related Party Transactions Involved in the Issuances of the Onshore and Offshore Debt Financing Instruments and the Asset-backed Securities and the Resolution on the General Mandate to the Board to issue additional A Shares and/or H Shares.

II. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

The company didn't propose any plan for profit distribution or to convert capital reserve fund to share capital in the first half of 2018.

Section V Significant Events

III. THE PERFORMANCE OF UNDERTAKINGS

(I) The undertakings of the Company's de facto controllers, Shareholders, related parties, buyers and the Company and other related parties during the Reporting Period or that continued to be valid during the Reporting Period

√ Applicable □ Not applicable

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
Undertakings related to initial public offering	Shanghai State-owned Assets Operation Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
		Restriction on selling shares	A lock-up period of 12 months from the listing date of the H Shares of Guotai Junan in respect of the H Shares acquired by it in the global offering	12 months after the listing date of the H Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking of stabilizing share price within 3 years from the listing of Guotai Junan	Within 3 years after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date no longer being the Company's controlling shareholder (Note 1)	Yes	Yes	—	—
		Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
		Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
	Shanghai International Group Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date no longer being the Company's de facto controller (Note 1)	Yes	Yes	—	—
		Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
		Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
		Other	The undertaking of avoiding the competition with Guotai Junan in the same industry (Non-Competition Arrangement)	From the listing date of the H Shares of Guotai Junan to the date no longer being the Guotai Junan's controlling shareholder (Note 2)	Yes	Yes	—	—
	Shenzhen Investment Holdings Co., Ltd.	Restriction on selling shares	A lock-up period of 12 months from the listing date of the H Shares of Guotai Junan in respect of the H Shares acquired by it in the global offering	12 months after the listing date of the H Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
	Shanghai Sitico Assets Management Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai International Group Asset Management Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai International Group Asset Operation Co., Ltd.	Restriction on selling shares	The undertaking of restriction on shareholdings and trading	36 months after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking in relation to the price for selling shares	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
		Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—

Section V Significant Events

Backgrounds of undertakings	Parties giving undertakings	Types of undertakings	Content of undertakings	Times and periods of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed reasons for not performing timely, if applicable	Next steps, if undertakings were not performed timely
	Shanghai Municipal Investment (Group) Corporation	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	Shanghai SMI Assets (Group) Co., Ltd.	Other	The undertaking of the intention of reducing shareholding within 2 years from the expiring date of restriction on shareholdings and trading	Within 2 years after the expiry date of restriction on shareholdings and trading of the A Shares	Yes	Yes	—	—
	The Company	To resolve the competition in the same industry	The undertaking of eliminating the competition with Shanghai Securities and Haiji Securities in the same industry	Within 5 years after the date on which Guotai Junan controlled Shanghai Securities	Yes	Yes	—	—
		Other	The undertaking of stabilizing share price within 3 years from the listing of Guotai Junan	Within 3 years after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking of repurchasing shares and indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—
	Directors and senior management of the Company	Other	The undertaking of stabilizing share price within 3 years from the listing of Guotai Junan	Within 3 years after the listing date of the A Shares of Guotai Junan	Yes	Yes	—	—
		Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—
	Supervisors of the Company	Other	The undertaking of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	—	—

Note 1: The controlling shareholder and the de facto controller as referred to herein are as defined under the SSE Listing Rules.

Note 2: The controlling shareholder as referred to herein is as defined under the Hong Kong Listing Rules.

Section V Significant Events

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Explanations on appointment and dismissal of accounting firms

☒ Applicable ☐ Not applicable

On 18 May 2018, pursuant to the resolution at the 2017 annual general meeting of the Company, the Company re-appointed Ernst & Young Hua Ming LLP as the external auditor of the Company for 2018, responsible for its statutory audit in accordance with the Accounting Standards for Business Enterprise and internal control audit in 2018. The Company re-appointed Ernst & Young as the external auditor of the Company for 2018, responsible for the relevant audit and review services in accordance with the International Financial Reporting Standards.

Explanation on change of accounting firm during the audit period

☐ Applicable ☒ Not applicable

Explanations of the Company on “Non-Standard Opinion Audit Report” of accounting firm

☐ Applicable ☒ Not applicable

Explanation of the Company on the issuance of a “Non-Standard Auditing Report” by the registered accountant in relation to the financial statements set out in the annual report of last year

☐ Applicable ☒ Not applicable

V. ANALYSIS AND EXPLANATION OF THE COMPANY ON CAUSES AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS

1) Analysis and explanation of the Company on causes and effects of changes in accounting policies and accounting estimates

☒ Applicable ☐ Not applicable

In 2017, the Ministry of Finance promulgated/amended the following Accounting Standards for Business Enterprises: “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument”, “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets”, “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” and “Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument”, and “Accounting Standard for Business Enterprises No. 14 – Revenue”.

Changes in accounting policies due to adoption of the newly issued or amended Accounting Standards for Business Enterprises were approved by the Board of the Company on 29 March 2018.

Section V Significant Events

1. Financial instrument related standards (IFRS 9)

The New Financial Instrument Standards have introduced new accounting requirements for the classification and measurement, impairment and hedging of financial instruments: financial assets shall be classified on the basis of the “business model” within which they are held and their “contractual cash flow characteristics of financial assets” into three classes, namely, “financial assets measured at amortized cost”, “financial assets measured at fair value through other comprehensive income” and “financial assets measured at fair value through profit or loss”; the financial assets impairment accounting shall change from the “approach of loss occurred” to the “approach of expected losses”; the judgment principle of financial assets transfer and its accounting treatment should be further clarified; in respect of hedge accounting, the scope of qualified hedged items and hedging instrument shall be enlarged, and the quantitative standard for test of effectiveness and the requirement for retrospective test shall be abolished; the disclosure requirements for financial instrument shall be adjusted accordingly.

As a company listed on both domestic and overseas stock markets, the Company has applied the above standards from 1 January 2018. The Company has changed its accounting policies from the first quarter of 2018 but has not restated the data in comparable period of 2017, and effects of changes in accounting policies on the opening balance are as follows:

Unit: thousand Yuan

	31 December 2017	Adjustment	1 January 2018
Non-current assets			
Available-for-sale financial assets	38,340,006	-38,340,006	—
Debt instruments at fair value through other comprehensive income	—	18,836,073	18,836,073
Equity instruments at fair value through other comprehensive income	—	16,976,661	16,976,661
Financial assets held under resale agreements	27,357,004	-117,062	27,239,942
Deferred tax assets	333,909	80,161	414,070
Current assets			
Accounts receivable	4,288,361	-27,533	4,260,828
Other current assets	6,270,510	-2,088	6,268,422
Margin accounts receivable	73,983,947	-31,958	73,951,989
Available-for-sale financial assets	1,631,794	-1,631,794	—
Debt instruments at fair value through other comprehensive income	—	1,496,793	1,496,793
Financial assets held under resale agreements	65,242,195	-146,624	65,095,571
Financial assets at fair value through profit or loss	98,202,115	2,655,496	100,857,611
Cash held on behalf of brokerage customers	79,476,131	-10,810	79,465,321
Cash and bank balances	15,985,949	-8	15,985,941

Section V Significant Events

	31 December 2017	Adjustment	1 January 2018
Current liabilities			
Other current liabilities	8,656,571	10	8,656,581
Equity			
Reserves	64,936,992	71,381	65,008,373
Retained profits	38,347,216	-314,011	38,033,205
Non-controlling interests	10,567,240	-20,079	10,547,161

2. Revenue standard (IFRS 15)

The revenue standard has incorporated the current revenue and construction contract standards into a unified revenue recognition model; to replace the risk-and-reward approach with the transfer-of-control approach as the criteria for the time of revenue recognition; to provide a more prescriptive guidance including the accounting treatment of contract concerning multiple trading arrangements; and expressly formulates the revenue recognition and measurement of certain specific transactions (or matters).

As a company listed on both domestic and overseas stock markets, the Company has applied the above standard from 1 January 2018. According to the provisions for the transitional period, companies that first apply this standard shall, based on the cumulative effect of initially applying this standard, adjust the opening balance of retained earnings and the amount of other relevant items in financial statements of the period, and shall not adjust the information of the comparative period. The implementation of this standard will not result in material change in the Company's revenue recognition, and will not have any significant impact on financial statements.

2) Analysis and explanation of the Company on causes and effects of corrections of significant accounting errors

☐ Applicable ☒ Not applicable

3) Communications with former accounting firm

☐ Applicable ☒ Not applicable

4) Other explanations

☐ Applicable ☒ Not applicable

Section V Significant Events

VI. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

☐ Applicable ☒ Not applicable

VII. MATERIAL LITIGATION AND ARBITRATION

☐ The Company had material litigations and arbitrations during the Reporting Period

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

VIII. PENALTIES AND RECTIFICATIONS OF THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRERS

☐ Applicable ☒ Not applicable

IX. THE CREDIT STATUS OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

During the Reporting Period, there was no failure to implement the effective judgment of a court or failure to meet the repayment schedules of a debt with a relatively large amount by the Company, Shanghai SA (controlling shareholder of the Company) or International Group (de facto controller of the Company).

Note: The controlling shareholder and the de facto controller mentioned above are as defined under the SSE Listing Rules.

X. THE EQUITY INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THE IMPACT THEREOF

(I) Relevant equity incentives that have been published in temporary announcements and have no developments or changes in subsequent implementation

☐ Applicable ☒ Not applicable

Section V Significant Events

(II) Incentives not disclosed in ad hoc announcements or with subsequent progress

Equity incentives

☐ Applicable ☒ Not applicable

Other explanations

☐ Applicable ☒ Not applicable

Details of employee share scheme

☐ Applicable ☒ Not applicable

Other incentives

☐ Applicable ☒ Not applicable

(III) The share option scheme of Guotai Junan International

On 19 June 2010, Guotai Junan International, a subsidiary of the Company, adopted a share option scheme, with a term of 10 years from the date of adoption. The total number of shares which may be issued upon exercise of all share options to be granted under such share option scheme must not in aggregate exceed 10% of the shares of Guotai Junan International in issue at the date of the adoption of the share option scheme (i.e. 164,000,000 shares). As of 30 June 2018, Guotai Junan International granted 144,500,000 options in total under the Share Option Scheme (Please refer to relevant announcements of Guotai Junan International).

XI. MATERIAL RELATED PARTY TRANSACTIONS/NON-EXEMPT RELATED PARTY TRANSACTION

The Company did not enter into any material related party transactions during the Reporting Period. The major related party transactions entered into by the Company are as follows:

(I) Related party transactions relating to day-to-day operations

1. Matters disclosed in ad hoc announcements without subsequent progress or change

☐ Applicable ☒ Not applicable

2. Matters disclosed in ad hoc announcements with subsequent progress or change

☐ Applicable ☒ Not applicable

3. Matters not disclosed in ad hoc announcements

☐ Applicable ☒ Not applicable

4. Day-to-day related party transactions

The Group conducts related party transactions in strict accordance with the SSE Listing Rules, the Policy on Information Disclosure Management and the Policy on Management of Related Party Transactions. The Group's related party transactions are conducted based on the principles of equity, openness and fairness, and the related party transaction agreements are entered into at market prices based on the principles of equality, voluntariness and equal value exchange.

Section V Significant Events

During the Reporting Period, the Company's day-to-day related party transactions were implemented according to the Resolution Relating to the Estimation of Day-to-day Related Party Transactions of the Company in 2018, which was considered and approved at the 2017 Annual General Meeting of the Company.

The disclosure of related party transactions set forth in this section is based on the SSE Listing Rules, and may differ from the amount of related transactions in the notes to the financial statements (prepared according to the Accounting Standards for Business Enterprise).

1) Major related party transactions relating to day-to-day operations

1) Fees and commissions received by the Group from its related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Contents of related party transactions	Closing balance	Opening balance
China Minsheng Investment Co. Ltd.	Revenue from securities underwriting business	3,538	2,025
SPD Bank	Revenue from entrusted assets management business	12,873	13,784

2) Interest received by the Group from its related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Contents of related party transactions	Closing balance	Opening balance
SPD Bank	Interests from deposit in financial institutions	43,794	115,450
SPD Bank	Interests from financial assets held under resale agreements	12,923	—

Section V Significant Events

3) Interests paid by the Group to its related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Contents of related party transactions	Closing balance	Opening balance
Shanghai Rural Commercial Bank	Interests on financial assets sold under repurchase agreements	3,887	4,681
SPD Bank	Interests from placements of other financial institutions	148	2,540
SPD Bank	Bond interests	8,926	9,732

2. Balances with related parties of the Group

1) Balances of deposits in related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	3,280,609	2,951,986
Shanghai Rural Commercial Bank	2,406	2,517

2) Balances of receivables

Unit: thousand yuan Currency: RMB

Names of related parties	Contents of related party transactions	Balances at the end of the period	Balances at the beginning of the period
China Minsheng Financial Holding Co., Ltd.	Management fees and performance incentive fees	1,010	114

Section V Significant Events

3) Balances of financial assets held under resale agreements

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	783,180	—
Guosen Securities Co., Ltd.	249,960	—
Shanghai Rural Commercial Bank	100,000	—
Great Wall Securities Co., Ltd.	98,234	—

4) Closing balances of collective asset management schemes or funds issued by the Company held by related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
Guotai Junan Leasing (Shanghai) Co., Ltd.	1,916	5,523
Shanghai SA	351,994	—

5) Balances of the bonds issued by the Company held by related parties

Unit: thousand yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	500,000	500,000

6) Balances of financial assets sold under repurchase agreements

Unit: thousand yuan Currency: RMB

Names of related parties	Closing balance	Opening balance
Shanghai Rural Commercial Bank	9,850	—

Section V Significant Events

(II) Related party transactions relating to asset or share acquisition or disposal

1. **Matters disclosed in ad hoc announcements without subsequent progress or change**
☐ Applicable ☒ Not applicable
2. **Matters disclosed in ad hoc announcements with subsequent progress or change**
☐ Applicable ☒ Not applicable
3. **Matters not disclosed in ad hoc announcements**
☐ Applicable ☒ Not applicable
4. **If performance covenant is involved, the fulfilment of the business performance undertaking during the Reporting Period shall be disclosed**
☐ Applicable ☒ Not applicable

(III) Significant related party transactions relating to joint external investments

1. **Matters disclosed in ad hoc announcements without subsequent progress or change**
☐ Applicable ☒ Not applicable
2. **Matters disclosed in ad hoc announcements with subsequent progress or change**
☐ Applicable ☒ Not applicable
3. **Matters not disclosed in ad hoc announcements**
☐ Applicable ☒ Not applicable

(IV) Debts due to/from related parties

1. **Matters disclosed in ad hoc announcements without subsequent progress or change**
☐ Applicable ☒ Not applicable
2. **Matters disclosed in ad hoc announcements with subsequent progress or change**
☐ Applicable ☒ Not applicable
3. **Matters not disclosed in ad hoc announcements**
☐ Applicable ☒ Not applicable

Section V Significant Events

(V) Other significant related party transactions

☐ Applicable ☒ Not applicable

(VI) Others

☐ Applicable ☒ Not applicable

XI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1 Custody, contracting and leasing

☐ Applicable ☒ Not applicable

2 Guarantees

☒ Applicable ☐ Not applicable

Unit: thousand yuan Currency: RMB

External guarantees by the Company (excluding guarantees for subsidiaries)

Total amount of the guarantees during the Reporting Period (excluding guarantees for subsidiaries)	—
Balance of the total amount of the guarantees at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	—

Guarantees of the Company for subsidiaries

Total amount of the guarantees for subsidiaries during the Reporting Period	—
Balance of the total amount of the guarantees for subsidiaries at the end of the Reporting Period (B)	3,446,835

Section V Significant Events

Total amount of guarantees of the Company (including guarantees for subsidiaries)

Total amount of guarantees (A+B)	3,446,835
Total amount of guarantees as a percentage of the net assets of the Company (%)	2.83
Including:	
The amount of guarantees for Shareholders, the de facto controller and their related parties (C)	—
The amount of debt guarantees directly or indirectly for the guaranteed with a gearing ratio of over 70% (D)	—
The amount of guarantees in excess of 50% of net assets (E)	—
The sum of the three items above (C+D+E)	—
Remark on the joint settlement responsibilities in relation to premature guarantees	—

Remark on the guarantees

In May 2014, Guotai Junan Financial Holding Limited (BVI incorporated), a subsidiary of the Company, issued the offshore credit enhancement bonds with an amount of USD500 million. Bank of China Sydney Branch provided a standby letter of credit guarantee for the repayment of these bonds. The Company issued a letter of counter guarantee on 19 May 2014 to the Bank of China Sydney Branch in respect of the issuance of the above standby letter of credit guarantee. The amount of the counter guarantee covers the principal, interests and other relevant expenses of the first phase of the above offshore bonds proposed to be issued. The guarantee is a joint liability guarantee, which will expire at the end of six months from the expiration date of the repayments of the above debts. Based on the exchange rate prevailing on 30 June 2018, the total amount of the guarantee is RMB3,446,835,063.

Section V Significant Events

3 Other material contracts

√ Applicable ☐ Not applicable

1. According to relevant rules of the SSE Listing Rules, the Group did not enter into any material contract during the Reporting Period.
2. The developments of material contracts disclosed in the Prospectus about the Initial Public Offering of A Shares during the Reporting Period are as follows:
 - (1) According to a resolution at the 10th extraordinary meeting of the 4th session of the Board, the Company proposed to invest in the office building project of Huangpu Riverside (黃浦濱江), and the investment amount was expected to not exceed RMB1.18 billion. On 16 October 2013, the Company signed the Framework Agreement for Transfer of the Fuxing Land parcel (《復興地塊項目轉讓框架協議》) with Shanghai Bund Riverside Development Company Ltd. (上海外灘濱江綜合開發有限公司) (hereinafter referred to as “**Bund Riverside**”). Pursuant to this agreement, Bund Riverside intends to acquire the land parcel through auction. The land parcel is located at the Huangpu District, Shanghai City and is used for commercial and office purposes, with a site area of 35,862 m². Bund Riverside shall construct six office buildings on the site and transfer one of the buildings (with a gross floor area of approximately 14,000 m²) to the Company. The transfer price covered the land costs, construction costs, respective amortization charges and the project management fees paid to Bund Riverside. On 12 December 2013, Bund Riverside signed the Land Use Rights Grant Contract of State-owned Land with the Planning and Land Administration Bureau of Huangpu District (上海市黃浦區規劃和土地管理局). As of the end of the Reporting Period, the Company had paid RMB572,268,300.
 - (2) On 18 November 2014, Guoxiang Properties signed the Agreement of the Main Contract on Construction of the Main Body of the New Project of the Office Building of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司辦公樓新建項目主體工程施工總承包合同》) with Shanghai Construction No.1 (Group) Co., Ltd. (“Shanghai Construction No.1”) pursuant to which Shanghai Construction No.1 was responsible for constructing the main body of the new project of the office building of Guotai Junan. The project is located at Lot 49, Jingan District, Shanghai City, with a total contract value of RMB335,882,500. As of the end of the Reporting Period, the Company has paid RMB248,438,700.

Section V Significant Events

XII. POVERTY ALLEVIATION ACTIVITIES OF THE COMPANY

√ Applicable ☐ Not applicable

1. Targeted poverty alleviation plans

√ Applicable ☐ Not applicable

Focusing on the “One company, one county” targeted poverty alleviation initiative, the Company has established a special work team and entered into comprehensive strategic cooperation agreements with three national-level poverty-stricken counties, Ji’an County of Jiangxi Province, Puge County of Sichuan Province and Qianshan County of Anhui Province. The Company and these counties will jointly establish the long-term effective work mechanisms for targeted assistance and supporting, and motivate the positive effect of capital markets on poverty alleviation. Taking into consideration the needs of the real economy, the Company focuses on the capital market services for industrial help and support, to expand their financing channels, improve their financing efficiency, promote the transformation of the enterprises and assist them in financial innovation. The Company is also committed to improving the talent quality, improving the education environment, caring for the growth of students and helping disadvantaged people with the talent, education and public welfare support.

At the same time, the Company continues to perform the public poverty alleviation works that it has done in the past, such as urban-and-rural combined progresses including “Support in Pairs”, “Learning and Teaching Support” in undeveloped areas and financial assistance to college students with financial difficulties, implementing the common culture of the Company, making sure the poverty alleviation work is implemented and making contributions to poverty alleviation.

2. Overview of the targeted poverty alleviation activities during the Reporting Period

√ Applicable ☐ Not applicable

The Company has initiated various special targeted poverty alleviation activities, including matching the assistance provider with families and students with financial difficulties that have been recorded for poverty registration, recruiting volunteers within the Company, carrying out the “Be Together” program in the three counties to care for left-behind children and the “Angel Education” program. For the Guotai Junan customized supplemental medical insurance purchased by the Company for more than 110,000 teachers and students in the three poverty stricken counties, the Company has processed more than 90 claims in the first half of 2018 with a total compensation amount of over RMB1.10 million. The Company has also invited and arranged for the staff from the departments and the enterprises in the counties to come to Shanghai to attend training and lectures on financial knowledge.

The Company has actively supported the learning and education of poor people with financial difficulties. The Company has also continuously provided teaching assistance for 150 students with financial difficulties in four universities in Shanghai and over 20 universities in Shenzhen and Chongqing, and has provided materials and fund assistance for students and teachers in the three Guotai Junan Hope Primary Schools in Gansu, Jiangxi and Yunnan.

Section V Significant Events

3. Achievements of targeted poverty alleviation activities of the Company

√ Applicable □ Not applicable

Unit: RMB'0,000

Indicators	Number and implementation information of the Company
I. Overview	
Including: 1.Fund	324.48
2.Materials trade	20
II. Itemized input	
1.Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	☐ Poverty alleviation through agriculture and forestry ☐ Poverty alleviation through tourism ☐ Poverty alleviation through E-commerce ☐ Poverty alleviation through assets income ☐ Poverty alleviation through science and technology ☒ Others
1.2 Number of industrial poverty alleviation projects	4
2.Poverty alleviation through employment	
Including: 2.1 Amount invested in vocational training	7
2.2 Number of people receiving vocational training (Person/Time)	500
3.Poverty alleviation through relocation	
4.Poverty alleviation through education	
Including: 4.1 Amount invested in subsidizing students with financial difficulties	56.78
4.2 Number of students receiving allowance (Persons)	150
5.Poverty alleviation through health enhancement	
6.Poverty alleviation through ecological protection	
7.Protection for the most disadvantaged people	
Including: 7.1 Amount invested in helping the "three left-behind" groups	28.5
7.2 Number of people of the "three left-behind" groups helped (Persons)	300
8.Poverty alleviation in the society	
Including: 8.1 Amount invested in poverty alleviation in the east-west collaboration of the country	225.7
9.Other projects	
Including: 9.1. Number of projects (Projects)	8
9.2. Amount invested	26.5

Section V Significant Events

Indicators

Number and implementation information of the Company

III. Awards (details and levels)

In January 2018, the Company was awarded as an “Avant-garde Institution for Poverty Alleviation in 2017 (2017 扶貧先鋒機構)” in the “2017 China Capital Market Forum & Prize Awarding Ceremony for Poverty Alleviation (2017中國資本市場扶貧先鋒論壇暨頒獎典禮)” sponsored by the International Financial News Office.

In March 2018, 14 securities and futures business institutions, including our branch company in Jiangxi Province, were honored as “Advanced Units for Poverty Alleviation in the Year of 2017” by the Securities Regulatory Bureau of Jiangxi Province and the Securities & Futures Association of Jiangxi Province.

4. Staged progress in performing social responsibilities for targeted poverty alleviation

√ Applicable □ Not applicable

Preliminary field visit, survey and plan discussion works in relation to the establishment of the Agricultural Industrial Fund in Puge County jointly sponsored by the Company and the Puge State-owned Assets Management Company have been completed and the project will be started in the second half of 2018.

Construction works of the “Guotai Junan Central School of Tianzhushan Township” sponsored by the Company are about to commence. The school is planned to occupy a site area of 50 mus and have 18 classes for primary education with an enrollment capacity of 810 students and 12 classes for secondary education with an enrollment capacity of 600 students. The gross floor area of the school buildings is approximately 20,000 m², including dormitories for teaching staff and boarding students, a canteen and a sports ground with standard 250-meter annular runway. The Company will make such aid funds in stages, with a total amount of RMB30 million to be used in the construction of this project.

Section V Significant Events

5. Subsequent targeted poverty alleviation plans

√ Applicable □ Not applicable

In the second half of 2018, in addition to the current poverty alleviation work and the achievements, the Company will continue to conduct existing poverty alleviation and education support works in accordance with the established targeted poverty alleviation plans, boost the targeted poverty alleviation works in Ji'an County of Jiangxi Province, Puge County of Sichuan Province and Qianshan County of Anhui Province, put more efforts in industrial support and talent exchange, improve education and teaching conditions and expand the financing channels for enterprises. Meanwhile, the Company will continue to carry out its works to "support the learning and education of the poor people", provide assistance in the construction of hope primary schools and provide aid funds for poor college students. The Company will continue to fulfil its social responsibilities actively by leveraging on its industrial advantages.

XIV. CONVERTIBLE CORPORATE BONDS

√ Applicable □ Not applicable

(I) Issuance of Convertible Bonds

As approved by the CSRC, the Company publicly issued the Convertible Bonds with an issuance size of RMB7 billion on 7 July 2017. The Convertible Bonds were listed on the Shanghai Stock Exchange on 24 July 2017 (collectively referred to as "GTJA Bond", with bond code 113013) and can be converted into ordinary A Shares (stock code 191013) from 8 January 2018.

(II) Convertible Bond holders and guarantors during the Reporting Period

No. of Convertible Bond holders at the end of the period 10,005
 Guarantors of Convertible Bonds Not applicable
 Top 10 Convertible Bond holders are as below:

Name of convertible corporate bond holders	Bonds held at	
	the end of the period (RMB)	Percentage of bonds held (%)
Shanghai State-owned Assets Operation Co., Ltd	964,672,000	13.78
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	743,575,000	10.62
China Securities Finance Corporation Limited	345,101,000	4.93
Shanghai International Group Co., Ltd.	295,254,000	4.22
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.)	215,409,000	3.08

Section V Significant Events

Name of convertible corporate bond holders	Bonds held at the end of the period (RMB)	Percentage of bonds held (%)
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Ping An Bank Co., Ltd.)	211,794,000	3.03
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	183,169,000	2.62
UBS AG	182,968,000	2.61
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Agricultural Bank of China)	178,610,000	2.55
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Construction Bank of China)	97,450,000	1.39

(III) Change of Convertible Bonds during the Reporting Period

Unit: RMB

Name of convertible corporate bonds	Increase/decrease				
	Before change	Converted	Redeemed	Sold back	After change
Guo Jun Convertible Bonds	7,000,000,000	131,000	0	0	6,999,869,000

(IV) Aggregated conversion of convertible bonds during the Reporting Period

Conversion amount during the Reporting Period (RMB)	131,000
Number of converted shares (shares)	6,476
Aggregated number of converted shares (shares)	6,476
Aggregated number of converted shares as a percentage of the total number of issued shares of the Company before conversion (%)	0.000074
Amount of convertible bonds not yet converted (RMB)	6,999,869,000
Number of convertible bonds not yet converted as a percentage of the total number of issued convertible bonds (%)	99.9981

(V) Adjustments of the conversion prices

Unit: RMB

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Reasons of adjustments
June 29 2018	RMB19.8 per share	June 22 2018	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB 0.4 per share for the year of 2017
Conversion price at the end of the Reporting Period		RMB19.8 per Share		

Section V Significant Events

(VI) Information on the Company's liability, credit changes and cash arrangement for debt repayment next year

As of 30 June 2018, the Group's total assets amounted to RMB440.455 billion, with a gearing ratio of 61.89%. Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued the Report on the Updated Rating of the Public Issuance of A Share Convertible Corporate Bonds of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司公開發行A股可轉換公司債券跟蹤評級報告) in respect of the issuance of the Convertible Bonds on 24 May 2018, and maintained the credit rating of the Company as AAA and the credit rating of such issuance of the Convertible Bonds as AAA with a stable outlook.

The major source of funds available for the Company to settle the principal and interests of the Convertible Bonds in the future will be the cash flow generated from the operating activities of the Company. Currently, the Company's major businesses remains stable with strong financial conditions, thus the Company has adequate cash flow generated from the operating activities and relatively strong repayment capability.

(VII) Other information on Convertible Bonds

As of 30 June 2018, the outstanding amount of the A-Share Convertible Bonds of the Company was RMB6,999,869,000. Based on the conversion price of RMB19.8 per Share, in the event that the outstanding Convertible Bonds are fully converted, 353,528,737 A Shares will be issued.

If the outstanding Convertible Bonds are fully converted, the total number of A Shares will increase by 353,528,737 to 7,869,641,833; the total number of Shares will increase to 9,067,469,013; the percentage of the number of H Shares against the total number of the Shares will be diluted from 13.75% to 13.21%.

The shareholding in the Company of the controlling shareholder of the Company, Shanghai SA, will be diluted from 23.56% to 22.64% and the aggregate interest in the Company of the de facto controller of the Company, Shanghai International Group, will be diluted from 32.73% to 31.45%.

The basic earnings per share of the Company in the first half of 2018 is RMB 0.43 per Share. If the outstanding Convertible Bonds of A Shares mentioned above were fully converted, the diluted earnings per share of the Company in the first half of 2018 would be RMB 0.42 per Share.

Note: The controlling shareholder and the de facto controller as referred to herein have the meanings as defined under the SSE Listing Rules.

XV. ENVIRONMENTAL INFORMATION

(I) Environmental protection information of the Company and its major subsidiaries on the list of critical pollutant dischargers published by the environmental protection authorities

☐ Applicable ☒ Not applicable

Section V Significant Events

(II) Environmental protection information of the companies not on the list of critical pollutant dischargers

☒ Applicable ☐ Not applicable

The Company put great efforts in developing bond business in relation to environment-friendly enterprise by underwriting as a lead underwriter the issuance of various “green” bonds, such as 18 Wuhan Metro Green Bonds 01, 18 Xiang Jiang Bank Green Financial 01, 18 Huishang Bank Green Financial 01, 18 Chouzhou Commercial Bank Green Financial 01, with a total financing amount of RMB10 billion, which ensured sufficient fund supports to the construction and operation of a number of premium environment-friendly industrial projects.

In the first half of 2018, the Company and Mobike entered into a bicycle riding emission reduction transaction, and the carbon emission trading volume exceeded 3 million tonnes.

(III) Reasons for non-disclosure of environmental protection information by the companies not on the list of critical pollutant dischargers

☐ Applicable ☒ Not applicable

(IV) Subsequent progress or changes in the environmental protection information disclosed during the Reporting Period

☐ Applicable ☒ Not applicable

XVI. OTHER SIGNIFICANT EVENTS

(I) Miscellaneous

☒ Applicable ☐ Not applicable

1. Corporate governance

During the Reporting Period, the Company continued to improve its corporate governance system in strict compliance with the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies and other laws and regulations, and the rules and codes of relevant authorities and the actual corporate governance of the Company was in compliance with relevant requirements. Since the listing of the H Shares, the Company has strictly complied with the Corporate Governance Code by fully complying with the code provisions and satisfied substantially all the requirements for recommended best practices set out therein.

During the Reporting Period, two Directors resigned as Directors and two Directors were newly appointed. As at the end of the Reporting Period, the Board had 16 Directors in total, including 6 independent Directors.

Section V Significant Events

During the Reporting Period, the Company held general meetings, Board meetings, meetings of the Supervisory Committee and meetings of the special committees under the Board in strict compliance with the Articles of Association. During the Reporting Period, the Company held one annual general meeting, three Board meetings, including two regular meetings and one interim meeting, two meetings of the Supervisory Committee, one meeting of the Strategy Committee, one meeting of the Remuneration, Appraisal and Nomination Committee, two meetings of the Audit Committee and one meeting of the Risk Control Committee.

2. Issuance of corporate bonds

Pursuant to the permission of the China Securities Regulatory Commission (Zheng Jian Xu Ke [2018] No. 329), the Company was approved to issue corporate bonds to qualified investors with par value not exceeding RMB13.6 billion. In July 2018, the Company issued the third tranche of the corporate bonds with an amount of RMB5.0 billion. As of the disclosure date of this report, the total amount was RMB13.6 billion.

3. Other matters related to subsidiaries

(1) Issuance of Medium Term Note (MTN) by Guotai Junan International

During the period from January 2018 to June 2018, Guotai Junan International issued MTN with a total amount of HKD2.88 billion, with terms from 1 month to 1 year, of which HKD50 million matured and was paid in 2018.

(2) Capital increase of HKD6.5 billion by the Company to Guotai Junan Financial Holdings

On 27 April 2018, pursuant to the Resolution on Review of the Capital Increase to Guotai Junan Financial Holdings Co., Ltd. (《關於提請審議向國泰君安金融控股有限公司增資的議案》) passed at the 8th meeting of the 5th session of the Board, the Company agreed to contribute HKD6.5 billion to Guotai Junan Financial Holdings. As at the date of this announcement, such capital increase is still in process.)

Section V Significant Events

(3) Capital increase of RMB2.6 billion by the Company to Guotai Junan Innovation Investment

In June 2018, pursuant to the Resolution on Review of the Capital Increase to Guotai Junan Innovation Investment Co., Ltd. (《關於提請審議向國泰君安創新投資有限公司增資的議案》) passed at the 8th meeting of the 5th session of the Board, the Company contributed an additional RMB2.6 billion to Guotai Junan Innovation Investment. After the capital increase, the registered capital of Guotai Junan Innovation Investment increased from RMB4.9 billion to RMB7.5 billion.

(4) Bonds issued by Shanghai Securities

According to the SSE's No Objection Letter to Shanghai Securities Co., Ltd. in relation to the Listing and Transfer of Non-public Issuance of Short-term Corporate Bonds (Shang Zheng [2018] No. 299), Shanghai Securities obtained the approval to issue the short-term corporate bonds with an amount of no more than RMB 2.7 billion. In August 2018, Shanghai Securities completed the issuance of the first phase of the short-term corporate bonds with a total issuance of RMB500 million.

4. Changes of business outlets

During the Reporting Period, the Group established 1 new branch office and 4 new futures branches, relocated 5 branch offices and 15 securities branches in the same cities and deregistered 1 securities branches in China. As of 30 June 2018, the Group had 33 branch offices, 413 securities branches and 23 futures branches. The Company has 30 branch offices, 339 securities branches.

	Newly-established branch offices	Relocated branch offices	Newly-established securities/futures branches	Relocated securities/futures branches	Deregistered securities/futures branches
The Company	—	5	—	12	1
Shanghai Securities	1	—	—	3	—
Guotai Junan Futures	—	—	3	—	—
Hicend Futures	—	—	1	—	—

Section V Significant Events

(1) The Company

1) Details of relocated branch offices and securities branches:

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Jilin Branch Office	Jilin Branch Office	Rooms 2506 - 2509, 2607, Huamao International Building, 4848 Renmin Street, Nanguan District, Changchun City, Jilin Province
2	Fujian Branch Office	Fujian Branch Office	11/F, Export-Import Bank of China Building, No. 350 Jiangbin Central Boulevard, Taijiang District, Fuzhou City, Fujian Province
3	Jiangsu Branch Office	Jiangsu Branch Office	Rooms 401 & 502, No. 389 Taiping South Road, Qinhuai District, Nanjing City
4	Guangdong Branch	Guangdong Branch	Units 2602 & 2603, R&F Center, No. 10 Huaxia Road, Zhujiang Xincheng, Tianhe District, Guangzhou City
5	Zhejiang Branch	Zhejiang Branch	Room 1401, Unit 1, Building 6, Fanhai International Center, No. 185 Wuxing Road, Sijiqing Sub-district, Jianggan District, Hangzhou City
6	Chongqing Nanping Huigong Road Securities Branch	Chongqing Nanping Huigong Road Securities Branch	4F-01, No. 3 Huigong Road, Nanping Street, Nan'an District, Chongqing City
7	Yichun Zhongshan Middle Road Securities Branch	Yichun Yuanshan Middle Road Securities Branch	No. 262 Yuanshan Road, Yuanzhou District, Yichun City, Jiangxi Province

Section V Significant Events

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
8	Linyi Shuangyuehu Road Securities Branch	Linyi Yimeng Road Securities Branch	Opposite to the People's Hall at No. 212, Yimeng Road, Lanshan District, Linyi City, Shandong Province
9	Nanchang Xiangshan North Road Securities Branch	Nanchang Xiangshan North Road Securities Branch	4-5/F, No. 237 Xiangshan North Road, Donghu District, Nanchang City, Jiangxi Province
10	Quanzhou Baiyuan Road Securities Branch	Quanzhou Yunlu Road Securities Branch	1-2/F, Qianxihui Building, Yunlu Road, Fengze District, Quanzhou City, Fujian Province
11	Chongqing Wanzhou Xincheng Road Securities Branch	Chongqing Wanzhou Beibin Road Securities Branch	Shop 1 at Basement Level 1, No. 258 Beibin Road, Wanzhou District, Chongqing City
12	Lishi Binhe Beidong Road Securities Branch	Lvliang Changzhi Road Securities Branch	No. 3 Changzhi Road, Lishi District, Lvliang City
13	Dongying Huanghe Road Securities Branch	Dongying North 1 Road Securities Branch	101, No. 787 North 1 Road, Dongying District, Dongying City, Shandong Province
14	Huai'an Jiankang East Road Securities Branch	Huai'an Jiankang East Road Securities Branch	Room 601, No. 30 Jiankang East Road, Qingjiangpu District, Huai'an City
15	Wenshan Dongfeng Road Securities Branch	Wenshan Fenghuang Road Securities Branch	1/F, Fenghuangmingzuo Building, Fenghuang Road, Wenshan City, Zhuang-Miao Autonomous Prefecture of Wenshan, Yunnan Province
16	Beijing Jintong West Road Securities Branch	Beijing Guanghua Road Securities Branch	Unit 03, 01/F, No. 1 (office building) Guanghua Road, Chaoyang District, Beijing City
17	Linfen Xiangyang West Road Securities Branch	Linfen Pingyang South Street Securities Branch	No. 2 Meihua Lane, Pingyang South Street, Linfen City

Section V Significant Events

2) Details of deregistered securities branch:

No.	Names of securities branches	Reply reference number	Approval date	Verification letter date
1	Luoyuan Donghuan Road Securities Branch	Min Zheng Jian Xu Ke No. [2017]12	28 December 2017	16 March 2018

(2) Shanghai Securities

1) Details of newly-established branch office:

No.	Names of newly-established branch offices	Locations of newly-established branch offices	Permit issuing date
1	Shenzhen Branch Office	Unit 1105-1106, Huarong Building, No. 178 Mintian Road, Futian Street, Futian District, Shenzhen	16 March 2018

2) Details of relocated securities branches:

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Datong Road Securities Branch	Datong Road Securities Branch	1-2F, Building B, 988 Datong Road, Jing'an District, Shanghai City
2	Aojiang Xing'ao Central Road Securities Branch	Aojiang Xing'ao East Road Securities Branch	Room 103, Building A & Room 202, Unit 3, Building A, Yong'an Garden, Xing'ao East Road, Aojiang Town, Pingyang County, Wenzhou, Zhejiang Province
3	Shenzhen Mintian Road Securities Branch	Shenzhen Mintian Road Securities Branch	Room 1103-1104, Huarong Building, No. 178 Mintian Road, Fu'an Community, Futian Street, Futian District, Shenzhen

Section V Significant Events

(3) Guotai Junan Futures

1) Details of newly-established futures branches:

No.	Names of newly-established futures branches	Locations of newly-established futures branches	Permit issuing date
1	Beijing Sanyuanqiao Futures Branch	Units 1501 & 1502, 15/F, Building 22, Building 5A, Shuguang Xili, Chaoyang District, Beijing	15 June 2018
2	Shijiazhuang Futures Branch	Rooms 803 & 804, 8/F, Block B, Fangbei Building, No.133 Yuhua East Road, Yuhua District, Shijiazhuang City, Hebei Province	20 June 2018
3	Xi'an Futures Branch	Room 02, 16/F, China People's Insurance (Shaanxi) Financial Building, No. 12 Gaoxin Third Road, High-tech District, Xi'an City, Shaanxi Province (floor 18 of the elevator)	25 June 2018

(4) Hicend Futures

No.	Names of newly-established futures branches	Locations of newly-established futures branches	Permit issuing date
1	Qingdao Futures Branch	Room 104, Unit B, Building 3, Hisense Innovation Valley, No. 20 Zhuzhou Road, Laoshan District, Qingdao City, Shandong Province	15 January 2018

Section VI Changes in Ordinary Shares and Particulars about Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of Changes in Shares

1. Table of changes in shares

Unit: share

	Before change		New issues	Change (+/-)				After change	
	Number	Percentage (%)		Bonus Issues	Reserves Capitalized	Others	Sub-total	Number	Percentage (%)
I. Shares subject to selling restrictions									
restrictions	2,783,416,270	31.94				-2,783,416,270	-2,783,416,270	0	0
1.State-owned shares									
2.Shares held by state-owned legal persons	2,783,416,270	31.94				-2,783,416,270	-2,783,416,270	0	0
3.Other domestic shares									
Including: Shares held by domestic non- state-owned legal persons									
Shares held by domestic natural persons									
4.Shares held by foreign capital									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
II. Tradable shares not subject to selling restrictions	5,930,517,530	68.06				+2,783,422,746	+2,783,422,746	8,713,940,276	100.00
1.RMB- denominated ordinary shares	4,732,690,350	54.31				+2,783,422,746	+2,783,422,746	7,516,113,096	86.25
2.Domestic listed foreign-invested shares									
3.Overseas listed foreign-invested shares	1,197,827,180	13.75						1,197,827,180	13.75
4.Others									
III. Total shares	8,713,933,800	100.00				+6,476	+6,476	8,713,940,276	100.00

2. Changes in shares

√ Applicable □ Not applicable

The lock-up period of 2,783,416,270 A Shares subject to selling restrictions in the initial public offering of the A Shares of the Company had expired on 26 June 2018, resulting in the release of such A Shares from selling restrictions and being tradable in the market. In the meantime, the Convertible Bonds have entered into share conversion period from 8 January 2018. During the Reporting Period, part of the Convertible Bonds had converted into a total of 6,476 Shares.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

3. Impact of changes in shares on earnings per share, net asset value per share or other financial indicators subsequent to the end of the Reporting Period and up to the publication date of the interim report

☐ Applicable ☒ Not applicable

4. Other information considered necessary by the Company or required by securities regulators to be disclosed

☐ Applicable ☒ Not applicable

(II) Changes in Shares Subject to Selling Restrictions

Unit: share

Names of Shareholders	Number of Shares subject to selling restrictions at the beginning of the period	Number of Shares released from selling restrictions during the Reporting Period	Increase in Shares with selling restrictions during the Reporting Period	Number of Shares with selling restrictions at the end of the Reporting Period	Reasons for selling restrictions	Date of release from selling restrictions
Shanghai State-owned Assets Operation Co., Ltd.	1,900,963,748	1,900,963,748	0	0	Shares initially issued with selling restrictions	26 June 2018
Shanghai International Group Co., Ltd.	682,215,791	682,215,791	0	0	Shares initially issued with selling restrictions	26 June 2018
The Second Shareholding Transfer Account of Board of Directors of NSSF	89,090,813	89,090,813	0	0	Shares initially issued with selling restrictions	26 June 2018
Shanghai Sitico Assets Management Co., Ltd.	75,482,261	75,482,261	0	0	Shares initially issued with selling restrictions	26 June 2018
Shanghai International Group Asset Management Co., Ltd.	34,732,152	34,732,152	0	0	Shares initially issued with selling restrictions	26 June 2018
Shanghai International Group Asset Operation Co., Ltd.	931,505	931,505	0	0	Shares initially issued with selling restrictions	26 June 2018
Total	2,783,416,270	2,783,416,270			/	/

Note: The Shares subject to selling restrictions as referred to herein are as defined under the SSE Listing Rules.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

II. PARTICULARS ABOUT SHAREHOLDERS

(I) Total number of Shareholders:

Total number of holders of ordinary shares at the end of the Reporting Period	164,329
Total number of holders of preferred shares with voting rights restored at the end of the Reporting Period	Not applicable

Note: The total number of Shareholders of the Company includes holders of ordinary A Shares and registered holders of H Shares, including 164,129 holders of A Shares and 200 registered holders of H Shares.

(II) Shareholdings of the top ten Shareholders and the top ten holders of tradable Shares (or Shares without selling restrictions) as at the end of the Reporting Period

Unit: share

Names of Shareholders (full name)	Increase or decrease during the Reporting Period	Shareholdings of the top ten Shareholders			Pledged or frozen Status Number		Nature of Shareholders
		Number of shares held as at the end of the period	Percentage (%)	Number of shares with selling restrictions held			
Shanghai State-owned Assets Operation Co., Ltd. (Note 1)	0	1,900,963,748	21.82	0	Not	0	State-owned legal person
HKSCC Nominees Limited (Note 2)	33,600	1,197,668,780	13.74	0	unknown	0	Overseas legal person
Shanghai International Group Co., Ltd.	0	682,215,791	7.83	0	Not	0	State-owned legal person
Shenzhen Investment Holdings Co., Ltd. (Note 3)	0	609,428,357	6.99	0	Not	0	State-owned legal person
China Securities Finance Corporation Limited	51,336,991	426,964,303	4.90	0	Not	0	Domestic non-state-owned legal person
Shanghai Municipal Investment (Group) Corporation	0	246,566,512	2.83	0	Not	0	State-owned legal person
Shenzhen Energy Group Co., Ltd.	0	154,455,909	1.77	0	Not	0	Domestic non-state-owned legal person
The Second Shareholding Transfer Account of Board of Directors of NSSF	0	151,104,674	1.73	0	Not	0	State-owned legal person
Dazhong Transportation (Group) Co., Ltd.	0	122,505,909	1.41	0	Not	0	Domestic non-state-owned legal person
Shanghai Financial Development and Investment Fund (Limited Partnership)	-1,210,200	120,052,308	1.38	0	Not	0	Others

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Shareholdings of the top ten Shareholders not subject to selling restrictions

Names of Shareholders	Number of tradable shares not subject to selling restrictions held	Class and number of shares	
		Class	Number
Shanghai State-owned Assets Operation Co., Ltd.	1,900,963,748	RMB- denominated ordinary shares	1,900,963,748
HKSCC Nominees Limited	1,197,668,780	Overseas listed foreign-invested shares	1,197,668,780
Shanghai International Group Co., Ltd.	682,215,791	RMB- denominated ordinary shares	682,215,791
Shenzhen Investment Holdings Co., Ltd.	609,428,357	RMB- denominated ordinary shares	609,428,357
China Securities Finance Corporation Limited	426,964,303	RMB- denominated ordinary shares	426,964,303
Shanghai Municipal Investment (Group) Corporation	246,566,512	RMB- denominated ordinary shares	246,566,512
Shenzhen Energy Group Co., Ltd.	154,455,909	RMB- denominated ordinary shares	154,455,909
The Second Shareholding Transfer Account of Board of Directors of NSSF	151,104,674	RMB- denominated ordinary shares	151,104,674
Dazhong Transportation (Group) Co., Ltd.	122,505,909	RMB- denominated ordinary shares	122,505,909
Shanghai Financial Development and Investment Fund (Limited Partnership)	120,052,308	RMB- denominated ordinary shares	120,052,308
Description on the relations or acting-in-concert arrangements among the Shareholders above	Shanghai State-owned Assets Operation Co., Ltd. is a wholly owned subsidiary of Shanghai International Group Co., Ltd. Save as disclosed herein, the Company is not aware of any other relations or arrangements for persons acting-in-concert.		
Description on the holders of preferred shares with voting rights restored and their shareholdings	Not applicable		
Note 1:	In the above table of top ten Shareholders, the number of Shares held by Shanghai SA as at the end of the period merely represents the number of A Shares held by it. Another 152,000,000 H Shares were held by Shanghai SA through HKSCC Nominees Limited as the nominee.		
Note 2:	HKSCC Nominees Limited is a nominee holder of the Shares owned by the non-registered holders of the H Shares.		
Note 3:	In the above table of top ten shareholders, the number of Shares held by Shenzhen Investment Holdings as at the end of the period merely represents the number of A Shares held by it. Another 103,373,800 H Shares were held by Shenzhen Investment Holdings through HKSCC Nominees Limited as the nominee.		
Note 4:	The Shares subject to selling restrictions and the Shareholders subject to selling restrictions as referred to herein are those as defined under the SSE Listing Rules.		

Shareholdings of the top ten Shareholders subject to selling restrictions and terms of the selling restrictions

☐ Applicable ☒ Not applicable

Section VI Changes in Ordinary Shares and Particulars about Shareholders

(III) Strategic investors or general legal persons becoming the top ten Shareholders by placing of new Shares

☐ Applicable ☒ Not applicable

III. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

☐ Applicable ☒ Not applicable

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

As of 30 June 2018, to the best knowledge of the Company, the following persons have interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are required to be recorded, in the register that is required to be kept by the Company under Section 336 of the SFO or own directly or indirectly 5% or more of the nominal value of any class of the Shares:

Substantial Shareholders	Nature of interest	Class	Number (Note 8)/nature of shares directly or indirectly held	As an approximate percentage of the relevant class of shares (%)	As an approximate percentage of the total issued share capital (%)
Shanghai International Group Co., Ltd.	Beneficial owner	A Shares	697,127,609/ Long positions (Note 1)	9.28	8.00
	Interest held by controlled corporations	A Shares	2,066,140,474/ Long positions (Note 2)	27.49	23.71
	Interest held by controlled corporations	H Shares	152,000,000/ Long positions (Note 3)	12.69	1.74
Shanghai State-owned Assets Operation Co., Ltd.	Beneficial owner	A Shares	1,949,684,556/ Long positions (Note 4)	25.94	22.37
	Beneficial owner	H Shares	152,000,000/ Long positions	12.69	1.74
Shenzhen Investment Holdings Co., Ltd.	Beneficial owner	A Shares	609,428,357/ Long positions	8.11	6.99
	Beneficial owner	H Shares	103,373,800/ Long positions	8.63	1.19

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Substantial Shareholders	Nature of interest	Class	Number (Note 8)/nature of shares directly or indirectly held	As an approximate percentage of the relevant class of shares (%)	As an approximate percentage of the total issued share capital (%)
New China Asset Management (Hong Kong) Limited	Beneficial owner	H Shares	196,210,000/ Long positions	16.38	2.25
New China Asset Management Company Limited	Interest held by controlled corporations	H Shares	196,210,000/ Long positions (Note 5)	16.38	2.25
New China Life Insurance Company Ltd.	Interest held by controlled corporations	H Shares	196,210,000/ Long positions (Note 5)	16.38	2.25
Diamond AcquisitionCo SARL	Beneficial owner	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18
A9 USD (Feeder) L.P.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18
Apax Guernsey (Holdco) PCC Limited	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18
Apax IX GP Co. Limited	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18
Apax IX USD GP L.P. Inc.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18
Apax IX USD L.P.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18
Diamond Holding SARL	Interest held by controlled corporations	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18

Section VI Changes in Ordinary Shares and Particulars about Shareholders

Substantial Shareholders	Nature of interest	Class	Number (Note 8)/nature of shares directly or indirectly held	As an approximate percentage of the relevant class of shares (%)	As an approximate percentage of the total issued share capital (%)
Jacqueline Mary Le Maitre - Ward	Trustee of a trust	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18
David Payne Staples	Trustee of a trust	H Shares	190,333,000/ Long positions (Note 6)	15.89	2.18
National Council for Social Security Fund	Beneficial owner	H Shares	107,392,580/ Long positions	8.97	1.23
Newton Industrial Limited	Beneficial owner	H Shares	100,000,000/ Long positions	8.35	1.15
Shenzhen Energy Group Co., Ltd.	Interest held by controlled corporations	H Shares	100,000,000/ Long positions (Note 7)	8.35	1.15

Note 1: The A-Share Convertible Bonds directly held by International Group amounted to RMB 295,254,000, which are convertible into 14,911,818 A Shares of the Company based on the current conversion price of RMB19.8 per Share if fully converted. Meanwhile, International Group directly held 682,215,791 A Shares.

Note 2: Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai Sitico Assets Management Co., Ltd. were interested in 1,949,684,556, 40,042,152, 931,505 and 75,482,261 A Shares respectively. Shanghai SA, Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co., Ltd. are wholly owned subsidiaries of International Group, and Shanghai Sitico Assets Management Co., Ltd. is a subsidiary in which International Group holds a 66.33% interest. Therefore, International Group is deemed to be interested in the 2,066,140,474 A Shares interested in by Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai Sitico Assets Management Co., Ltd. for the purpose of the SFO;

Note 3: Shanghai SA is a wholly owned subsidiary of International Group. Therefore, International Group is deemed to be interested in the 152,000,000 H Shares held by Shanghai SA for the purpose of the SFO.

Note 4: The A-Share Convertible Bonds held by Shanghai SA amounted to RMB 964,672,000, which were convertible into 48,720,808 A Shares based on the current conversion price of RMB19.8 per Share if fully converted. Meanwhile, Shanghai SA directly held 1,900,963,748 A shares.

Note 5: New China Asset Management Company Limited holds a 60% interests in New China Asset Management (Hong Kong) Limited, and New China Life Insurance Company Ltd. owns a 99.4% interests in New China Asset Management Company Limited. Therefore, New China Life Insurance Company Ltd. and New China Asset Management Company Limited are deemed to be interested in the 196,210,000 H Shares held by New China Asset Management (Hong Kong) Limited for the purpose of the SFO.

Section VI Changes in Ordinary Shares and Particulars about Shareholders

- Note 6: Diamond AcquisitionCo SARL is wholly owned by Diamond Holding SARL. Apax IX USD L.P. is the beneficial owner of 73.8% of the equity interest in Diamond Holding SARL. A9 USD (Feeder) L.P. contributed 44.9% of the capital to Apax IX USD L.P. Apax IX USD GP L.P. Inc. is the general partner of Apax IX USD L.P. and A9 USD (Feeder) L.P. Apax IX GP Co. Limited is the general partner of Apax IX USD GP L.P. Inc. Apax IX GP Co. Limited is wholly owned by Apax Guernsey (Holdco) PCC Limited. The equity interest in Apax Guernsey (Holdco) PCC Limited is held by Jacqueline Mary Le Maitre – Ward and David Payne Staples as trustees of the Hirzel IV Purpose Trust. Accordingly, each of Diamond Holding SARL, Apax IX USD L.P., Apax IX USD GP L.P. Inc., Apax IX GP Co. Limited, Apax Guernsey (Holdco) PCC Limited, A9 USD (Feeder) L.P., Jacqueline Mary Le Maitre – Ward and David Payne Staples are deemed to be interested in the 190,333,000 H Shares held by Diamond AcquisitionCo SARL for the purpose of the SFO.
- Note 7: Newton Industrial Limited is wholly owned by Shenzhen Energy Group Co., Ltd. Therefore, Shenzhen Energy Group Co., Ltd. is deemed to be interested in 100,000,000 H Shares held by Newton Industrial Limited under the Securities and Futures Ordinance.
- Note 8: Pursuant to Section 336 of the SFO, Shareholders shall submit forms to disclose their interests when certain conditions are met. As Shareholders are not required to inform the Company and the Hong Kong Stock Exchange of any changes in their shareholdings in the Company unless certain conditions are met, the latest shareholdings of substantial Shareholders may be inconsistent with the shareholdings reported to the Hong Kong Stock Exchange.

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

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

On 19 July 2016, the Company issued 2016 Subordinated Bonds for Non-public Issuance (Tranche 1) (the “Current Bonds”) with an aggregated amount of RMB5 billion and the coupon rate of 3.30% for a term of 4 years. As agreed in the relevant terms of prospectuses for the Current Bonds, the Company can decide whether to exercise its issuer’s option to redeem on the 30th trading day prior to the interest payment date of the 2nd interest-bearing year. On 6 June 2018, the Company decided to exercise its issuer’s option to redeem and redeem all registered Current Bonds as at the record date. Such redemption was completed on 19 July 2018. The total principal amount and total interest of the Current Bonds repaid by the Company reached RMB5 billion and RMB165 million, respectively. The Current Bonds were delisted from the Integrated Electronic Platform for Fixed Income Securities of the Shanghai Stock Exchange on 19 July 2018.

Save as disclosed in this announcement, the Company did not repurchase, sale or redeem any listed securities of the Company and its subsidiaries.

Section VII Preferred Shares

☐ Applicable ☒ Not applicable

Section VIII Directors, Supervisors and Senior Management

I. COMPOSITION OF THE BOARD

The fifth session of the Board comprises the following 16 Directors:

Executive Directors: Mr. YANG Dehong, Mr. WANG Song and Mr. YU Jian

Non-executive Directors: Mr. FU Fan, Ms. LIU Ying, Mr. ZHONG Maojun, Mr. ZHOU Lei, Mr. WANG Yongjian, Mr. LIN Facheng and Mr. ZHOU Hao

Independent Non-executive Directors: Mr. XIA Dawei, Mr. SHI Derong, Mr. CHEN Guogang, Mr. LING Tao, Mr. JIN Qingjun and Mr. LEE Conway Kong Wai

II. CHANGES IN SHAREHOLDING

(i) Changes in the shareholdings of the current Directors, Supervisors and senior management of the Company and those who resigned during the Reporting Period

☐ Applicable ☒ Not applicable

(ii) Share awards granted to the Directors, Supervisors and senior management of the Company during the Reporting Period

☐ Applicable ☒ Not applicable

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

☒ Applicable ☐ Not applicable

Name	Position	Reason of change
LIN Facheng	Director	Election
ZHOU Hao	Director	Election
FENG Xiaodong	Supervisor	Election
XIANG Dong	Former director	Resignation
LIU Qiang	Former director	Resignation
TENG Tieqi	Former supervisor	Resignation

Explanation on Changes in Director, Supervisors and Senior Management of the Company

☒ Applicable ☐ Not applicable

Section VIII Directors, Supervisors and Senior Management

1. Mr. Xiang Dong and Mr. Liu Qiang resigned as Directors on 29 March 2018, which became effective from close of business of the Company on the same date; Mr. Teng Tieqi resigned as supervisor of the Company on 29 March 2018, and became effective from close of business of the Company on the same date;
2. On 18 May 2018, the Resolution on Election of Mr. LIN Facheng and Mr. ZHOU Hao as Directors of the Company was considered and approved at the 2017 Annual General Meeting of the Company and Mr. LIN Facheng and Mr. ZHOU Hao were elected as Directors of the fifth session of Board and such appointments shall become effective after they have obtained the approval on their qualification as directors of a securities company. On 28 May 2018, Mr. LIN Facheng was qualified as a director of a securities company and his appointment became effective on the same date. On 6 June 2018, Mr. ZHOU Hao was qualified as a director of a securities company and his appointment became effective on the same date;
3. On 18 May 2018, the Resolution on Election of Mr. FENG Xiaodong as a Supervisor was considered and approved at the 2017 Annual General Meeting of the Company and Mr. FENG Xiaodong was elected as a supervisor of the fifth session of the supervisory board of the Company and such appointment shall become effective after he has obtained the approval on his qualification as a supervisor of a securities company. On 28 May 2018, Mr. FENG Xiaodong was qualified as a supervisor of a securities company and his appointment became effective on the same date.

IV. OTHER EXPLANATIONS

√ Applicable ☐ Not applicable

(i) Securities transactions by Directors, Supervisors and relevant employees

To regulate the conducts of Directors, Supervisors and senior management members of the Company in holding and dealing in the Shares, the Company formulated the Administration Measures on the Holding of Shares of Directors, Supervisors and Senior Management Members of the Company and the Changes Therein (hereinafter referred to as the “**Administration Measures**”). The requirements in the Administration Measures are stricter than the mandatory provisions in the Model Code. After reasonable enquiry, all Directors and Supervisors confirmed that they had strictly complied with the relevant requirements of the Administration Measures and the Model Code during the Reporting Period.

Section VIII Directors, Supervisors and Senior Management

(ii) Interests and short positions of Directors, Supervisors and chief executive in the Shares, underlying shares or debentures of the Company and associated corporations

As at 30 June 2018, the Company was not aware of any Director, Supervisors and chief executive of the Company had interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

(iii) Material changes in personal particulars of directors, supervisor and chief executive

Mr. Wang Yongjian, a Director, became a non-executive director of Ping An Insurance (Group) Company of China, Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601318; a company listed on the Hong Kong Stock Exchange, stock code: 2318) on 13 July 2018. He ceased to be a director of Guosen Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002736) on 21 July 2018.

Other than that, pursuant to Rule 13.51B of the Hong Kong Listing Rules, there were no other material changes in the biographical particulars of Directors, Supervisors and chief executive of the Company during the Reporting Period.

(iv) Number of employees, remuneration and training programs

As of 30 June 2018, the Group had a total of 15,257 employees, 11,559 of which were employees of the Company.

The Company has formulated a series of remuneration management systems in line with the practical conditions of the Company pursuant to relevant PRC laws and regulations and the Articles of Association, including the Administrative Measures on Remuneration, the Administrative Measures on Performance and the Administrative Measures on Professional Ranking. The Company establishes a position value and competence oriented and performance-related remuneration system to achieve “internal fairness and external competition” and provide the incentive for talented staff with aims to gather and attract outstanding talents. The Company maintains and makes contributions to various social insurances (including the pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance), housing funding and enterprise annuity in accordance with the PRC laws and regulations.

In order to improve the professional skills of its employees, the Company has provided diversified internal and external training programs. Internal training programs include on-site, video conference and online training programs. The Company's employees have participated in various qualification exams related to business and various exams on various regulatory laws. In the first half of 2018, the Company provided over 285 on-site trainings relating to leadership, orientations new employees, compliance and risk control, investment banking, crediting business and Stock Connect Southbound to nearly 4,900 person-time, and over 570 new online courses with training time on the internet of over 255,000 hours in total, the content of which covered leadership training, new employee orientation training, compliance and risk control, investment banking business, credit business, Hong Kong Stock Connect, etc.

Section IX Corporate Bonds

√ Applicable □ Not applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of bond	Abbreviation	Bond code	Issue date	Maturity date	Outstanding amount	Interest rate (%)	Method of repayment of principal and payment of interests	Place of trading
Guotai Junan Securities Co., Ltd. 2015 Corporate Bonds (First Tranche) (Type I)	15 GUOJUN G1	136047	18 November 2015	19 November 2020	5,000,000,000	3.6	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2015 Corporate Bonds (First Tranche) (Type II)	15 GUOJUN G2	136048	18 November 2015	19 November 2022	1,000,000,000	3.8	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First Tranche) (Type I)	16 GUOJUN G1	136367	11 April 2016	12 April 2021	5,000,000,000	2.97	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First Tranche) (Type II)	16 GUOJUN G2	136368	11 April 2016	12 April 2023	1,000,000,000	3.25	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Second Tranche) (Type I)	16 GUOJUN G3	136622	11 August 2016	12 August 2021	5,000,000,000	2.90	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Second Tranche) (Type II)	16 GUOJUN G4	136623	11 August 2016	12 August 2021	3,000,000,000	3.14	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Third Tranche)	16 GUOJUN G5	136711	20 September 2016	21 September 2021	3,000,000,000	2.94	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2017 Corporate Bonds (First Tranche) (Type I)	17 GUOJUN G1	143229	3 August 2017	4 August 2020	4,700,000,000	4.57	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange

Section IX Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Maturity date	Outstanding amount	Interest rate (%)	Method of repayment of principal and payment of interests	Place of trading
Guotai Junan Securities Co., Ltd. 2017 Corporate Bonds (First Tranche) (Type II)	17 GUOJUN G2	143230	3 August 2017	4 August 2022	600,000,000	4.70	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. 2017 Corporate Bonds (Second Tranche)	17 GUOJUN G3	143337	17 October 2017	18 October 2020	3,700,000,000	4.78	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. Public Offering of 2018 Corporate Bonds (First Tranche)	18 GUOJUN G1	143528	20 March 2018	21 March 2021	4,300,000,000	5.15	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange
Guotai Junan Securities Co., Ltd. Public Issuance of 2018 Corporate Bonds (Second Tranche)	18 GUOJUN G2	143607	23 April 2018	25 April 2021	4,300,000,000	4.55	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange

Interest payment of corporate bonds

√ Applicable □ Not applicable

Interest on Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First Tranche) (Type I) and (Type II) for the current period was paid in April 2018.

Other matters related to corporate bonds

√ Applicable □ Not applicable

In respect of Guotai Junan Securities Co., Ltd. 2015 Corporate Bonds (First Tranche) (Type I), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the third interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2015 Corporate Bonds (First Tranche) (Type II), the issuer has a redemption option and an option to increase the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the fifth interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First Tranche) (Type I), the issuer has a redemption option and an option to adjust the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the third interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (First Tranche) (Type II), the issuer has a redemption option and an option to adjust the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the fifth interest-bearing year. None of such options were exercised during the Reporting Period.

Section IX Corporate Bonds

In respect of Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Second Tranche) (Type I), the issuer has a redemption option and an option to adjust the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the third interest-bearing year. None of such options were exercised during the Reporting Period.

In respect of Guotai Junan Securities Co., Ltd. 2016 Corporate Bonds (Third Tranche), the issuer has a redemption option and an option to adjust the coupon rate and the investors have a put option, all of which are exercisable on the interest payment date of the third interest-bearing year. None of such options were exercised during the Reporting Period.

II. CONTACT PERSONS AND INFORMATION OF THE TRUSTEE MANAGER AND CONTACT INFORMATION OF THE CREDIT RATING AGENCY OF THE CORPORATE BONDS

15 GUOJUN G1	Trustee manager of bonds	Name	Changjiang Financing Services Co., Limited
15 GUOJUN G2		Address of office	21/F, Chamtime International Financial
16 GUOJUN G1			Centre, No. 1589 Shiji Avenue, Pudong New
16 GUOJUN G2			District, Shanghai
		Contact persons	Shu Mingyue, Wang Chanyuan
		TEL	021-38784899
16 GUOJUN G3	Trustee manager of bonds	Name	Everbright Securities Company Limited
16 GUOJUN G4		Address of office	No. 1508 Xinzha Road, Jing'an District, Shanghai
16 GUOJUN G5		Contact persons	Huang Liang, Xing Yiwei
17 GUOJUN G1		TEL	021-22169877
17 GUOJUN G2			
17 GUOJUN G3			
18 GUOJUN G1	Trustee manager of bonds	Name	Industrial Securities Co., Ltd.
18 GUOJUN G2		Address of office	6/F, East Tower, Dingxiang International Building, 36 Changliu Road, Pudong New District, Shanghai
		Contact persons	Yang Lingshan
		TEL	021-38565900
15 GUOJUN G1	Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors
15 GUOJUN G2			Service Co., Ltd.
16 GUOJUN G1		Address of office	14/F, Huasheng Building, No.398
16 GUOJUN G2			Hankou Road, Shanghai
16 GUOJUN G3			
16 GUOJUN G4			
16 GUOJUN G5			
17 GUOJUN G1			
17 GUOJUN G2			
17 GUOJUN G3			
18 GUOJUN G1			
18 GUOJUN G2			

Section IX Corporate Bonds

Other explanations:

☐ Applicable ☒ Not applicable

III. USE OF PROCEEDS FROM THE CORPORATE BONDS

☒ Applicable ☐ Not applicable

As at 30 June 2018, all the proceeds from the corporate bonds mentioned above have been used to supplement the working capital of the Company in order to meet the needs of its business operation, which was in line with the intended use, use plan and other agreements as set out in the bond prospectus.

IV. RATINGS OF THE CORPORATE BONDS

☒ Applicable ☐ Not applicable

On 21 May 2018, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted follow-up credit ratings for “15 GUOJUN G1”, “15 GUOJUN G2”, “16 GUOJUN G1”, “16 GUOJUN G2”, “16 GUOJUN G3”, “16 GUOJUN G4”, “16 GUOJUN G5”, “17 GUOJUN G1”, “17 GUOJUN G2” and “17 GUOJUN G3”, and issued the Report on the Follow-up Credit Rating of the 2015, 2016, 2017 and 2018 Corporate Bonds of Guotai Junan Securities Co., Ltd. (Shanghai Brilliance Ongoing Rating [2018]100079), pursuant to which the credit ratings of the “15 GUOJUN G1”, “15 GUOJUN G2”, “16 GUOJUN G1”, “16 GUOJUN G2”, “16 GUOJUN G3”, “16 GUOJUN G4”, “16 GUOJUN G5”, “17 GUOJUN G1”, “17 GUOJUN G2” and “17 GUOJUN G3” are AAA, the credit rating of the Company remained at AAA, and the credit rating outlook is stable.

On 11 January 2018, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. to conduct credit ratings for “18 GUOJUN G1”. Pursuant to the “Credit Rating Reports on Guotai Junan Securities Co., Ltd. Public Issuance of 2018 Corporate Bonds (First Tranche) (《國泰君安證券股份有限公司公開發行2018年公司債券(第一期)信用評級報告》)” (Shanghai Brilliance Bond rating (2018) 010024) issued by Shanghai Brilliance, the long-term credit rating of the Company is AAA, the credit rating of this bond is AAA, and the credit rating outlook is stable. On 21 May 2018, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. conducted follow-up credit ratings for “18 GUOJUN G1”, and issued the Report on the Follow-up Credit Rating of the 2015, 2016, 2017 and 2018 Corporate Bonds of Guotai Junan Securities Co., Ltd. (Shanghai Brilliance Ongoing Rating [2018]100079), pursuant to which the credit ratings of the “18 GUOJUN G1” is AAA, the credit rating of the Company remained at AAA, and the credit rating outlook is stable.

Section IX Corporate Bonds

On 16 April 2018, the Company engaged Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. to conduct credit rating for “18 GUOJUN G2”. Pursuant to the “Credit Rating Reports on Guotai Junan Securities Co., Ltd. Public Issuance of 2018 Corporate Bonds (Second Tranche) (《國泰君安證券股份有限公司公開發行2018年公司債券(第二期)信用評級報告》)” (Shanghai Brilliance Bond rating (2018) 010283) issued by Shanghai Brilliance, the long-term credit ratings of the Company is AAA, the credit rating of this bond are AAA, and the credit rating outlook is stable.

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER RELATED INFORMATION OF THE CORPORATE BONDS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

As agreed in the bond prospectuses of the Company, the Company's debt repayment safeguard measures include: formulating the Bondholder Meeting Rules, establishing special repayment work teams, giving full play to the role of bond trustees and strictly performing the obligation of information disclosure. During the Reporting Period, the relevant plans and measures of the Company were consistent with the commitments in the bond prospectuses.

VI. MEETINGS OF THE HOLDERS OF THE CORPORATE BONDS

☐ Applicable ☒ Not applicable

VII. PERFORMANCE OF DUTIES BY THE TRUSTEES OF THE CORPORATE BONDS

☒ Applicable ☐ Not applicable

Changjiang Financing Services Co., Ltd., the Company's bond trustee of “15 GUOJUN G1”, “15 GUOJUN G2”, “16 GUOJUN G1” and “16 GUOJUN G2”, issued the 2017 Bond Trustee Management Services Report of 2015 Corporate Bonds (Tranche I) of Guotai Junan Securities Co., Ltd. and the 2017 Bond Trustee Services Report of 2016 Corporate Bonds (Tranche I) of Guotai Junan Securities Co., Ltd. in June 2018.

Everbright Securities Co., Ltd., the Company's bond trustee of “16 GUOJUN G3”, “16 GUOJUN G4”, “16 GUOJUN G5”, “17 GUOJUN G1”, “17 GUOJUN G2” and “17 GUOJUN G3”, issued the 2017 Bond Trustee Management Services Report of 2016 Corporate Bonds (Tranche II) of Guotai Junan Securities Co., Ltd., the 2017 Bond Trustee Services Report of 2016 Corporate Bonds (Tranche III) of Guotai Junan Securities Co., Ltd., the 2017 Bond Trustee Management Services Report of 2017 Corporate Bonds (Tranche I) of Guotai Junan Securities Co., Ltd. and the 2017 Bond Trustee Management Services Report of 2017 Corporate Bonds (Tranche II) of Guotai Junan Securities Co., Ltd. in June 2018.

Section IX Corporate Bonds

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR REPORTING PERIOD AND CORRESPONDING PERIOD OF LAST YEAR)

√ Applicable □ Not applicable

Major indicators	At the end of the Reporting Period	At the end of last year	Increase/decrease at the end of the Reporting Period as compared with the end of last year (%)	Reasons for change
Current ratio	205%	204%	Increasing by 1 percentage point	/
Quick ratio	205%	204%	Increasing by 1 percentage point	/
Gearing ratio (%)	61.89	61.50	Increasing by 0.39 percentage point	/
Loan repayment rate (%)	100	100	—	/
Major indicators	During the Reporting Period (January – June)	Corresponding period of last year	Increase/decrease for the Reporting Period as compared with the Corresponding period of last year (%)	Reasons for change
EBITDA interest coverage ratio	2.55	3.39	-24.78	Mainly due to an increase in interest expenses compared with the same period of last year
Interest repayment ratio (%)	100	100	—	/

Section IX Corporate Bonds

IX. INFORMATION OF THE OVERDUE LOAN

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

At the end of June 2018, other bonds and debt financing instruments of the Company mainly included short-term financing bills, medium-term notes, structured notes and subordinated bonds. Please refer to the notes 43 and 49 to the interim condensed financial statements for details. The principal amounts and interests of each financing instrument have been paid on time.

XI. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

☒ Applicable ☐ Not applicable

As at 30 June 2018, the banking facilities the Company obtained from the major cooperation banks amounted to about RMB390 billion in aggregate, of which about RMB50 billion had been utilized and about RMB340 billion had been unutilized.

XII. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR COMMITMENTS SPECIFIED IN CORPORATE BOND PROSPECTUSES BY THE COMPANY DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

XIII. SIGNIFICANT EVENTS OF THE COMPANY AND THE IMPACTS ON THE OPERATION POSITION AND SOLVENCY OF THE COMPANY

☒ Applicable ☐ Not applicable

The Company is currently in a good operating position, and no significant events that might impact the solvency of the Company have occurred.

Section X Interim Condensed Consolidated Financial Statements

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of Guotai Junan Securities Co., Ltd.

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 104 to 190 which comprise the condensed consolidated statement of financial position of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) as at 30 June 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“ISRE 2410”). 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

24 August 2018

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
Revenue			
Fee and commission income	5	5,348,120	5,947,007
Interest income	6	6,448,884	5,930,887
Net investment gains	7	2,334,708	3,124,555
Total revenue		14,131,712	15,002,449
Gain on disposal of a subsidiary	8	648,287	—
Other income and gains	9	1,155,000	853,018
Total revenue and other income		15,934,999	15,855,467
Fee and commission expenses	10	(841,947)	(982,820)
Interest expenses	11	(3,684,411)	(3,071,645)
Staff costs	12	(3,472,078)	(3,261,308)
Depreciation and amortization expenses	13	(255,629)	(223,954)
Tax and surcharges		(84,066)	(67,908)
Other operating expenses and costs	14	(1,762,399)	(1,377,264)
Provision for impairment losses	15	(1,314)	(219,778)
Credit loss expense	16	(464,222)	—
Total expenses		(10,566,066)	(9,204,677)

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

		Six months ended 30 June	
	Notes	2018 <i>(Unaudited)</i>	2017 <i>(Unaudited)</i>
Operating profit		5,368,933	6,650,790
Share of profits of associates and joint ventures		<u>93,951</u>	<u>14,986</u>
Profit before income tax		5,462,884	6,665,776
Income tax expense	17	<u>(1,245,958)</u>	<u>(1,573,700)</u>
Profit for the period		<u>4,216,926</u>	<u>5,092,076</u>
Attributable to:			
Equity holders of the Company		4,009,001	4,756,266
Non-controlling interests		<u>207,925</u>	<u>335,810</u>
Total		<u>4,216,926</u>	<u>5,092,076</u>
Earnings per share attributable to ordinary equity holders of the Company (Expressed in Renminbi Yuan per share)	19		
– Basic		<u>0.43</u>	<u>0.56</u>
– Diluted		<u>0.42</u>	<u>0.56</u>

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

(All amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit for the period	4,216,926	5,092,076
Other comprehensive income for the period		
Other comprehensive income that will be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income		
– Net changes in fair value	176,737	—
– Changes in allowance for expected credit losses	(83,979)	—
– Reclassified to profit or loss	625	—
Available-for-sale financial assets		
– Net changes in fair value	—	1,979,308
– Reclassified to profit or loss	—	(1,010,225)
Share of other comprehensive income of associates and joint ventures	(19)	14,769
Exchange differences on translation of financial statements in foreign currencies	103,910	(250,399)
Income tax impact	(23,346)	(231,077)
Total items that will be reclassified to profit or loss	173,928	502,376
Other comprehensive income that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income	(1,433,861)	—
Share of other comprehensive income of associates and joint ventures	(502,042)	—
Income tax impact	483,976	—
Total items that will not be reclassified to profit or loss	(1,451,927)	—
Other comprehensive (loss)/income for the period, net of tax	(1,277,999)	502,376
Total comprehensive income for the period	2,938,927	5,594,452
Attributable to:		
Equity holders of the Company	2,691,236	5,413,258
Non-controlling interests	247,691	181,194
Total	2,938,927	5,594,452

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Non-current assets			
Property and equipment	20	3,809,566	3,730,599
Prepaid land lease payments	21	794,850	804,388
Goodwill	22	581,407	581,407
Other intangible assets	23	1,422,259	1,442,271
Investments in associates	25	1,333,460	1,309,278
Investments in joint ventures	25	1,797,522	2,303,249
Available-for-sale financial assets	26	—	38,340,006
Debt instruments at fair value through other comprehensive income	27	22,419,799	—
Equity instruments at fair value through other comprehensive income	28	20,961,006	—
Financial assets held under resale agreements	29	15,246,535	27,357,004
Financial assets at fair value through profit or loss	30	2,835,895	300,000
Refundable deposits	31	8,062,516	6,914,654
Deferred tax assets	32	648,067	333,909
Other non-current assets	33	2,709,424	677,498
Total non-current assets		82,622,306	84,094,263
Current assets			
Accounts receivable	34	3,771,266	4,288,361
Other current assets	35	4,994,305	6,270,510
Margin accounts receivable	36	62,165,360	73,983,947
Available-for-sale financial assets	26	—	1,631,794
Debt instruments at fair value through other comprehensive income	27	3,333,574	—
Financial assets held under resale agreements	29	59,294,610	65,242,195
Financial assets at fair value through profit or loss	30	113,253,479	98,202,115
Derivative financial assets	37	314,344	315,233
Clearing settlement funds	38	2,773,658	2,157,689
Cash held on behalf of brokerage customers	39	87,058,363	79,476,131
Cash and bank balances	40	20,874,135	15,985,949
Total current assets		357,833,094	347,553,924
Total assets		440,455,400	431,648,187

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

		As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
	Notes		
Current liabilities			
Loans and borrowings	42	8,659,014	11,520,278
Short-term debt instruments	43	26,562,321	36,454,635
Placements from other financial institutions	44	7,650,000	7,600,000
Accounts payable to brokerage customers	45	93,025,907	84,356,232
Employee benefits payable	46	4,255,185	5,005,954
Income tax payable		1,015,963	1,531,137
Financial assets sold under repurchase agreements	47	50,755,935	43,849,585
Financial liabilities at fair value through profit or loss	48	29,710,343	23,454,372
Derivative financial liabilities	37	184,717	402,828
Bonds payable	49	3,302,235	1,279,944
Other current liabilities	50	9,487,375	8,656,571
Total current liabilities		234,608,995	224,111,536
Net current assets		123,224,099	123,442,388
Total assets less current liabilities		205,846,405	207,536,651
Non-current liabilities			
Bonds payable	49	72,529,549	67,032,147
Employee benefits payable	46	—	622,458
Deferred tax liabilities	32	98,690	181,608
Financial assets sold under repurchase agreements	47	—	3,000,000
Financial liabilities at fair value through profit or loss	48	621,662	1,013,019
Other non-current liabilities	51	205,973	1,992,196
Total non-current liabilities		73,455,874	73,841,428
Net assets		132,390,531	133,695,223

Section X Interim Condensed Consolidated Financial Statements

	Notes	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Equity			
Share capital	52	8,713,940	8,713,934
Other equity instruments	53	11,129,823	11,129,841
Reserves	54	64,226,341	64,936,992
Retained profits	54	37,797,099	38,347,216
Equity attributable to equity holders of the Company		121,867,203	123,127,983
Non-controlling interests		10,523,328	10,567,240
Total equity		132,390,531	133,695,223

Approved and authorized for issue by the Board of Directors on 24 August 2018.

Yang Dehong

Chairman

Wang Song

Executive Director

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the Company (Unaudited)										
			Reserves								
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	Non-controlling interests	Total equity
At 31 December 2017	8,713,934	11,129,841	43,447,900	1,210,022	(172,336)	6,496,822	13,954,584	38,347,216	123,127,983	10,567,240	133,695,223
Impact of adopting IFRS 9 (note 2.2)	—	—	—	43,799	—	11,256	16,326	(314,011)	(242,630)	(20,079)	(262,709)
Restated opening balance under IFRS 9	8,713,934	11,129,841	43,447,900	1,253,821	(172,336)	6,508,078	13,970,910	38,033,205	122,885,353	10,547,161	133,432,514
Profit for the period	—	—	—	—	—	—	—	4,009,001	4,009,001	207,925	4,216,926
Other comprehensive income for the period	—	—	—	(1,376,812)	59,047	—	—	—	(1,317,765)	39,766	(1,277,999)
Total comprehensive income for the period	—	—	—	(1,376,812)	59,047	—	—	4,009,001	2,691,236	247,691	2,938,927
Dividends (note 18)	—	—	—	—	—	—	—	(3,485,577)	(3,485,577)	—	(3,485,577)
Distribution to other equity instrument holders (note 18)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	(135,206)	(135,206)
Other comprehensive income that has been reclassified to retained profits	—	—	—	169,530	—	—	—	(169,530)	—	—	—
Conversion of convertible bonds	6	(18)	126	—	—	—	—	—	114	—	114
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(254,785)	(254,785)
Share issued by a subsidiary upon placement of shares	—	—	503,945	—	—	—	—	—	503,945	1,125,689	1,629,634
Redemption of other equity instruments issued by a subsidiary	—	—	—	—	—	—	—	—	—	(825,893)	(825,893)
Others	—	—	(137,868)	—	—	—	—	—	(137,868)	(181,329)	(319,197)
At 30 June 2018	8,713,940	11,129,823	43,814,103	46,539	(113,289)	6,508,078	13,970,910	37,797,099	121,867,203	10,523,328	132,390,531

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

	Attributable to equity holders of the Company (Unaudited)										
	Reserves									Non-	Total
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Retained profits	Total	controlling interests	equity
At 1 January 2017	7,625,000	10,000,000	29,374,285	346,532	137,774	5,729,487	12,193,983	34,557,357	99,964,418	10,787,304	110,751,722
Profit for the period	—	—	—	—	—	—	—	4,756,266	4,756,266	335,810	5,092,076
Other comprehensive income for the period	—	—	—	790,463	(133,471)	—	—	—	656,992	(154,616)	502,376
Total comprehensive income for the period	—	—	—	790,463	(133,471)	—	—	4,756,266	5,413,258	181,194	5,594,452
Issuance of H shares	1,088,934	—	14,029,256	—	—	—	—	—	15,118,190	—	15,118,190
Dividends (note 18)	—	—	—	—	—	—	—	(2,973,750)	(2,973,750)	—	(2,973,750)
Distribution to other equity instrument holders (note 18)	—	—	—	—	—	—	—	(590,000)	(590,000)	—	(590,000)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	(171,103)	(171,103)
Others	—	—	(11,950)	—	—	—	—	—	(11,950)	47,490	35,540
At 30 June 2017	8,713,934	10,000,000	43,391,591	1,136,995	4,303	5,729,487	12,193,983	35,749,873	116,920,166	10,844,885	127,765,051

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

(All amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Profit before income tax	5,462,884	6,665,776
Adjustments for:		
Interest expenses	3,684,411	3,071,645
Share of profits of associates and joint ventures	(93,951)	(14,986)
Depreciation and amortization	255,629	223,954
Provision for impairment losses	1,314	219,778
Credit loss expense	464,222	—
Net losses on disposal of property and equipment	913	516
Foreign exchange losses	15,759	69,193
Net realized losses/(gains) from financial instruments	625	(1,091,621)
Gain on disposal of subsidiaries	(648,287)	(26,129)
Dividend income and interest income from available-for-sale financial assets	—	(306,957)
Dividend income and interest income from financial assets at fair value through other comprehensive income	(671,082)	—
Interest income from time deposits, loans and receivables	(365,084)	(199,641)
Unrealized fair value changes in financial instruments at fair value through profit or loss	804,087	102,181
Unrealized fair value changes in derivatives	117,361	(97,739)
	9,028,801	8,615,970

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
(Increase)/Decrease in refundable deposits	(1,158,948)	2,261,041
Decrease in margin accounts receivable	11,723,308	5,757,676
Increase in accounts receivable, other current assets and other non-current assets	(46,069)	(2,388,713)
Decrease/(Increase) in financial assets held under resale agreements	20,794,441	(17,168,597)
Increase in financial instruments at fair value through profit or loss and derivative financial instruments	(11,353,541)	(1,392,360)
(Increase)/Decrease in cash held on behalf of brokerage customers	(5,402,231)	10,643,516
Increase/(Decrease) in accounts payable to brokerage customers	8,669,675	(13,798,124)
Increase/(Decrease) in other liabilities	727,189	(9,297,634)
Decrease in employee benefits payable	(1,273,587)	(1,266,798)
Increase in financial assets sold under repurchase agreements	3,906,350	7,569,162
Increase in placements from other financial institutions	50,000	2,850,000
Cash generated from/(used in) operations	35,665,388	(7,614,861)
Income taxes paid	(1,769,155)	(3,143,242)
Interest paid	(1,247,160)	(1,187,036)
Net cash generated from/(used in) operating activities	32,649,073	(11,945,139)

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

	Six months ended 30 June	
Note	2018 <i>(Unaudited)</i>	2017 <i>(Unaudited)</i>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets	10,936	17,124
Dividends and interest received from available-for-sale financial assets and other investments	—	491,048
Dividends and interest received from financial assets at fair value through other comprehensive income and other investments	699,999	—
Proceeds from disposal of available-for-sale financial assets and other investments	—	41,756,115
Proceeds from disposal of financial assets at fair value through other comprehensive income and other investments	14,525,237	—
Disposal of subsidiaries, associates and joint ventures	(66,740)	1,043,405
Purchases of property and equipment, other intangible assets and other non-current assets	(364,528)	(352,264)
Purchases of available-for-sale financial assets and other investments	—	(32,760,553)
Purchases of financial assets at fair value through other comprehensive income and other investments	(31,594,256)	—
Net cash (used in)/generated from investing activities	(16,789,352)	10,194,875

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

		Six months ended 30 June	
	Note	2018	2017
		(Unaudited)	(Unaudited)
Cash flows from financing activities:			
Net proceeds from issuance of H shares		—	15,301,493
Proceeds from issuance of short-term debt instruments		30,684,846	16,058,240
Proceeds from issuance of shares upon placement by a subsidiary		1,629,634	—
Proceeds from issuance of bonds payable		8,600,000	7,412,902
Proceeds from loans and borrowings		32,644,575	12,996,757
Redemption of other equity investments issued by a subsidiary		(825,893)	—
Repayment of debt securities issued		(41,857,160)	(36,323,811)
Repayment of loans and borrowings		(35,817,099)	(15,556,763)
Interest paid		(1,681,857)	(1,735,677)
Dividends paid		(3,604,850)	(3,305,506)
Distribution to other equity instrument holders		(590,000)	(616,949)
Cash paid for other financing activities		<u>—</u>	<u>(38,246)</u>
Net cash used in financing activities		<u>(10,817,804)</u>	<u>(5,807,560)</u>
Net increase/(decrease) in cash and cash equivalents		5,041,917	(7,557,824)
Cash and cash equivalents at the beginning of the period		27,057,039	35,192,601
Effect of foreign exchange rate changes		<u>92,569</u>	<u>(78,488)</u>
Cash and cash equivalents at the end of the period	41(a)	32,191,525	27,556,289

The accompanying notes form part of the interim condensed consolidated financial statements.

Section X Interim Condensed Consolidated Financial Statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(All amounts expressed in thousands of RMB unless otherwise stated)

1. CORPORATE INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-securities business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司).

The Company publicly issued A shares and was listed on the Shanghai Stock Exchange on 26 June 2015, with stock code 601211. On 11 April 2017, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), with stock code 02611.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Group is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, financial advisory business relating to securities trading and securities investment, margin financing and securities lending, agency sale of securities investment funds, agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

Section X Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to IFRS 1 and IAS 28</i>

Except as described below, the application of the new and revised IFRSs does not have any significant impact on the interim condensed consolidated financial statements of the Group.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented as at 30 June 2018 and for the six-month period then ended. Differences arising from the adoption of IFRS 9 have been recognized directly in equity as of 1 January 2018.

Section X Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2. New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 *Financial Instruments (continued)*

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2018:

		As at 31 December 2017	Adjustments	As at 1 January 2018
Non-current assets				
Available-for-sale financial assets	(a)	38,340,006	(38,340,006)	—
Debt instruments at fair value through other comprehensive income	(a)	—	18,836,073	18,836,073
Equity instruments at fair value through other comprehensive income	(a)	—	16,976,661	16,976,661
Financial assets held under resale agreements	(b)	27,357,004	(117,062)	27,239,942
Deferred tax assets	(c)	333,909	80,161	414,070
Current assets				
Accounts receivable	(b)	4,288,361	(27,533)	4,260,828
Other current assets	(b)	6,270,510	(2,088)	6,268,422
Margin accounts receivable	(b)	73,983,947	(31,958)	73,951,989
Available-for-sale financial assets	(a)	1,631,794	(1,631,794)	—
Debt instruments at fair value through other comprehensive income	(a)	—	1,496,793	1,496,793
Financial assets held under resale agreements	(b)	65,242,195	(146,624)	65,095,571
Financial assets at fair value through profit or loss	(a)	98,202,115	2,655,496	100,857,611
Cash held on behalf of brokerage customers	(b)	79,476,131	(10,810)	79,465,321
Cash and bank balances	(b)	15,985,949	(8)	15,985,941
Current liabilities				
Other current liabilities	(b)	8,656,571	10	8,656,581
Equity				
Reserves	(a), (b), (c)	64,936,992	71,381	65,008,373
Retained profits	(a), (b), (c)	38,347,216	(314,011)	38,033,205
Non-controlling interests	(a), (b), (c)	10,567,240	(20,079)	10,547,161

Section X Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2. New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 *Financial Instruments (continued)*

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category mainly includes the Group's Financial assets held under resale agreements, Refundable deposits, Accounts receivable, Term loan included under Other non-current assets, Other current assets, and Margin accounts receivable.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell.

Other financial assets are classified and subsequently measured as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to impairment assessment under IFRS 9.
- Financial assets at FVPL comprise derivative instruments and equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail to meet the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Upon transition, the investment revaluation reserve relating to equity and debt securities, which had been previously recognised under accumulated OCI, was reclassified to Retained profits.

Section X Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2. New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 *Financial Instruments (continued)*

(a) Classification and measurement (continued)

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate ("EIR").

For trade receivables, the Group has established a provision rate matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., margin accounts receivable, financial assets held under resale agreements, and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Section X Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2. New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 *Financial Instruments (continued)*

(b) Impairment (continued)

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under impairment requirement of IFRS9 into Stage 1, Stage 2, Stage 3 and POCl, as described below:

- Stage 1: When debt financial assets are first recognised, the Group recognises an allowance based on 12-month ECLs. Stage 1 debt financial assets also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When debt financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.
- Stage 3: Debt financial assets considered credit-impaired. The Group records an allowance for the LTECLs.
- POCl: Purchased or originated credit impaired ("POCl") assets are financial assets that are credit impaired on initial recognition. POCl assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Section X Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2. New standards, interpretations and amendments adopted by the Group *(continued)*

IFRS 9 *Financial Instruments (continued)*

(b) Impairment (continued)

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the debt instrument has not been previously derecognised and is still in the portfolio. When estimating PD, the Group takes historical default data, internal and external rating, and forward looking adjustment and so on.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest scheduled by contract.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received for selling the asset.

(c) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred tax assets, reserves, retained profits and non-controlling interests were adjusted as necessary.

Section X Interim Condensed Consolidated Financial Statements

3. USE OF JUDGMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

The significant judgments made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2017 except for the impairment of financial instruments as follows:

Impairment of financial instruments

The Group assess the impairment of financial instruments using ECL model. Application of ECL model requires significant judgment and estimation, and consideration of all reasonable and relevant information including forward looking information. When making such judgment and estimation, the Group estimate the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economy indicator, and industrial risk.

4. SEGMENT REPORTING

The Group is organized into business units based on their products and services and has reportable operating segments as follows:

- (1) Institutional finance-Institutional investor services, which primarily includes prime brokerage, stock-pledged financing and research businesses provided to institutional clients, as well as market-making and proprietary trading;
- (2) Institutional finance-Investment banking, which primarily includes listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients;
- (3) Personal finance, which primarily includes securities and futures brokerage, margin financing, securities lending, wealth management and financial planning services provided to retail clients through both online and offline channels;
- (4) Investment management, which primarily includes asset management, fund management, direct investment management services to institutions and individuals;
- (5) International business, which represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, corporate finance, asset management, margin financing, financial products, market-making and investment businesses; and
- (6) Other, which primarily includes other operations of head office, including investment holding as well as interest income and interest expense incurred for general working capital purposes.

Section X Interim Condensed Consolidated Financial Statements

4. SEGMENT REPORTING *(continued)*

(a) Operating segments

	Six months ended 30 June 2018						
	Institutional finance						
	Institutional investor services	Investment banking	Personal finance	Investment management	International business	Other	Total
Unaudited							
Segment total revenue and other income							
Fee and commission income	608,156	848,375	2,582,631	797,058	511,900	—	5,348,120
Interest income	2,671,897	—	3,180,244	7,691	588,917	135	6,448,884
Net investment gains	1,757,788	—	—	311,234	265,686	—	2,334,708
Gain on disposal of a subsidiary	—	—	—	648,287	—	—	648,287
Other income and gains	545,824	—	6,491	3,857	(39,570)	638,398	1,155,000
Total revenue and other income	5,583,665	848,375	5,769,366	1,768,127	1,326,933	638,533	15,934,999
Segment expenses	(3,540,815)	(429,983)	(4,554,943)	(391,425)	(897,951)	(750,949)	(10,566,066)
Including: Interest expenses	(1,977,412)	—	(1,379,977)	(23,751)	(303,271)	—	(3,684,411)
Provision for impairment losses	—	—	(1,314)	—	—	—	(1,314)
Credit loss expense	(324,056)	—	12,372	—	(152,538)	—	(464,222)
Segment operating profit	2,042,850	418,392	1,214,423	1,376,702	428,982	(112,416)	5,368,933
Share of profit of associates and joint ventures	—	—	—	93,951	—	—	93,951
Segment profit before income tax	2,042,850	418,392	1,214,423	1,470,653	428,982	(112,416)	5,462,884
Income tax expense	(476,227)	(97,535)	(283,106)	(342,838)	(72,458)	26,206	(1,245,958)
Segment profit for the period	1,566,623	320,857	931,317	1,127,815	356,524	(86,210)	4,216,926
As at 30 June 2018							
Segment total assets	188,210,469	568,483	158,050,797	16,082,958	71,694,927	5,847,766	440,455,400
Segment total liabilities	130,069,104	799,763	111,521,437	2,688,658	62,498,582	487,325	308,064,869
Six months ended 30 June 2018							
Other segment information:							
Depreciation and amortization expenses	50,902	25,044	119,229	9,730	19,604	31,120	255,629
Capital expenditure	65,001	41,558	54,755	15,215	8,759	179,240	364,528

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4. SEGMENT REPORTING (continued)

(a) Operating segments (continued)

	Six months ended 30 June 2017						
	Institutional investor services	Institutional Investment banking	Personal finance	Investment management	International business	Other	Total
<i>Unaudited</i>							
Segment total revenue and other income							
Fee and commission income	511,244	1,211,011	2,822,193	875,015	527,544	—	5,947,007
Interest income	2,143,429	—	3,191,418	31,020	565,002	18	5,930,887
Net investment gains	2,787,972	—	—	175,440	161,143	—	3,124,555
Other income and gains	101,086	—	4,815	126,133	712	620,272	853,018
Total revenue and other income	5,543,731	1,211,011	6,018,426	1,207,608	1,254,401	620,290	15,855,467
Segment expenses	(3,052,256)	(600,811)	(3,865,379)	(286,046)	(787,622)	(612,563)	(9,204,677)
Including: Interest expenses	(1,609,919)	—	(1,235,681)	(19,657)	(206,388)	—	(3,071,645)
Provision for impairment losses	(210,673)	—	53,310	—	(62,415)	—	(219,778)
Segment operating profit	2,491,475	610,200	2,153,047	921,562	466,779	7,727	6,650,790
Share of profit of associates and joint ventures	—	—	—	14,986	—	—	14,986
Segment profit before income tax	2,491,475	610,200	2,153,047	936,548	466,779	7,727	6,665,776
Income tax expense	(579,331)	(141,887)	(500,638)	(217,771)	(132,277)	(1,796)	(1,573,700)
Segment profit for the period	1,912,144	468,313	1,652,409	718,777	334,502	5,931	5,092,076
<i>Audited</i>							
As at 31 December 2017							
Segment total assets	185,747,221	540,669	160,513,532	16,178,073	63,363,860	5,304,832	431,648,187
Segment total liabilities	130,817,301	1,554,101	106,754,629	3,265,240	54,922,796	638,897	297,952,964
<i>Unaudited</i>							
Six months ended 30 June 2017							
Other segment information:							
Depreciation and amortization expense	15,034	696	105,991	5,821	17,892	78,520	223,954
Capital expenditure	99,205	336	96,115	33,861	12,557	110,190	352,264

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4. SEGMENT REPORTING *(continued)*

(b) Geographical segments

	Six months ended 30 June	
	2018	2017
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue		
Mainland, China	12,765,209	13,748,760
Hong Kong, China	1,366,503	1,253,689
Total	<u>14,131,712</u>	<u>15,002,449</u>

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the six months ended 30 June 2018 and 2017.

5. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2018	2017
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Securities brokerage and investment consulting business	3,054,282	3,196,539
Underwriting and sponsorship business	1,013,699	1,340,098
Asset management business	807,750	889,137
Futures brokerage business	217,547	258,780
Custodian fee	130,882	118,739
Financial advisory business	109,154	130,232
Others	14,806	13,482
Total	<u>5,348,120</u>	<u>5,947,007</u>

Fee and commission income represented the Group's revenue from contracts with customers.

The Group's geographical markets mainly include Mainland China and Hong Kong. The Group's fee and commission income in Hong Kong is mainly represented as International business. Refer to note 4. SEGMENT REPORTING for detailed information about geographical markets.

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6. INTEREST INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Margin financing and securities lending	2,652,411	2,554,447
Stock-pledged financing and securities repurchase	1,912,323	1,604,691
Deposits in financial institutions	1,472,219	1,544,951
Other financial assets held under resale agreements	341,471	178,295
Term loan	66,305	31,251
Others	4,155	17,252
Total	<u>6,448,884</u>	<u>5,930,887</u>

7. NET INVESTMENT GAINS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Dividend and interest income		
Financial instruments at fair value through profit or loss	1,437,743	1,103,033
Debt instruments at fair value through other comprehensive income	497,854	—
Equity instruments at fair value through other comprehensive income	173,228	—
Available-for-sale financial assets	—	306,957
Net realized gains/(losses)		
Financial instruments at fair value through profit or loss	685,052	770,090
Debt instruments at fair value through other comprehensive income	(625)	—
Derivative financial instruments	362,374	(79,972)
Available-for-sale financial assets	—	1,091,621
Unrealized (losses)/gains		
Financial instruments at fair value through profit or loss	(804,087)	(102,181)
Derivative financial instruments	(16,831)	35,007
Total	<u>2,334,708</u>	<u>3,124,555</u>

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8. GAIN ON DISPOSAL OF A SUBSIDIARY

In April 2017, the Company agreed to transfer its 51% stake in GTJA Allianz Funds Co., Ltd. (“GTJA Allianz”) to Pacific Asset Management Co., Ltd. (“Pacific AMC”) at a consideration of RMB1,045 million. The transaction was approved by the CSRC in March 2018. After the completion of the share transfer, the Company no longer holds any interests in GTJA Allianz.

	Carrying amount as at the date of equity transfer
Financial assets at fair value through profit or loss	379,649
Cash and bank balances	286,323
Other current/non-current assets	126,909
Employee benefits payable	(99,639)
Other current/non-current liabilities	<u>(160,374)</u>
Net assets	532,868
Less: Non-controlling interest	<u>(261,105)</u>
Interests in net assets	<u>271,763</u>
Proceeds from disposal of GTJA Allianz	1,045,000
Less: Dividends receivable transferred to Pacific AMC	(124,950)
Interest in net assets	<u>(271,763)</u>
Gain on disposal of a subsidiary	<u>648,287</u>
Satisfied by:	
Cash received in year 2017	<u>1,045,000</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Six months ended 30 June 2018
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(66,740)

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9. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Government grants (1)	593,348	703,987
Income from bulk commodity trading	521,694	163,765
Commission from tax withholding and remitting	25,329	2,861
Foreign exchange losses	(15,759)	(69,193)
Gain on disposal of structured entities	—	26,129
Others	30,388	25,469
Total	<u>1,155,000</u>	<u>853,018</u>

- (1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where the entities are registered.

10. FEE AND COMMISSION EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Securities brokerage and investment consulting business	686,945	738,239
Underwriting and sponsorship business	73,079	150,724
Futures brokerage business	36,191	41,359
Others	45,732	52,498
Total	<u>841,947</u>	<u>982,820</u>

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11. INTEREST EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Bonds	1,475,735	1,384,366
Short-term debt instruments	816,615	270,184
Financial assets sold under repurchase agreements	755,601	716,521
Placements from other financial institutions	205,531	154,611
Accounts payable to brokerage customers	195,118	184,921
Loans and borrowings	121,986	125,509
Priority tranche holders of structured entities	35,571	89,679
Securities lending	31,920	119,880
Gold borrowing	25,543	12,514
Derivative financial instruments	20,515	12,639
Others	276	821
Total	<u>3,684,411</u>	<u>3,071,645</u>

12. STAFF COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Salaries, bonuses and allowances	3,034,003	2,882,663
Contributions to defined contribution schemes	200,004	168,357
Other social welfare	238,071	210,288
Total	<u>3,472,078</u>	<u>3,261,308</u>

The employees of the Group in Mainland China participate in state-managed retirement benefit schemes operated by the respective local governments in the Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

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13. DEPRECIATION AND AMORTIZATION EXPENSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	194,758	172,706
Amortization of other intangible assets	48,803	41,004
Amortization of long-term deferred expenses	12,068	10,229
Amortization of prepaid land lease payments	—	15
Total	<u>255,629</u>	<u>223,954</u>

14. OTHER OPERATING EXPENSES AND COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Cost of bulk commodity trading	521,357	164,830
Rental expenses	369,215	313,435
IT expenses	123,052	84,708
Promotion and business development expenses	121,434	124,532
Business travel expenses	106,918	103,142
Administrative and office operating expenses	101,797	103,029
Postal and communication expenses	72,400	84,202
Consulting fees	59,683	77,247
Stock exchange management fees	50,286	45,664
Securities investor protection funds	47,589	44,806
Marketing and advertising expenses	45,424	68,599
Utilities	21,988	25,883
Fund and asset management scheme distribution expenses	18,092	35,477
Auditors' remuneration	7,061	7,372
Others	96,103	94,338
Total	<u>1,762,399</u>	<u>1,377,264</u>

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15. PROVISION FOR IMPAIRMENT LOSSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Other current assets	1,314	18,085
Financial assets held under resale agreements	—	129,321
Available-for-sale financial assets	—	81,395
Other non-current assets	—	23,102
Accounts receivable	—	2,449
Margin accounts receivable	—	(34,574)
Total	<u>1,314</u>	<u>219,778</u>

16. CREDIT LOSS EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Financial assets held under resale agreements	408,226	—
Accounts receivable	65,464	—
Other	(9,468)	—
Total	<u>464,222</u>	<u>—</u>

17. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Current tax		
Mainland China income tax	1,151,597	1,238,333
Hong Kong profits tax	51,350	139,545
Deferred tax	43,011	195,822
Total	<u>1,245,958</u>	<u>1,573,700</u>

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

For the Company's subsidiaries in Hong Kong, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period.

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18. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Proposed and paid dividends	<u>(3,485,577)</u>	<u>(2,973,750)</u>
Distribution to other equity instrument holders	<u>(590,000)</u>	<u>(590,000)</u>

Pursuant to the resolution of the meeting of shareholders held on 18 May 2018, the Company distributed cash dividends of RMB4.0 yuan for every 10 shares (tax included) amounting to RMB3,486 million in total for the year ended 31 December 2017.

Pursuant to the resolution of the meeting of shareholders held on 13 March 2017, the Company distributed cash dividends of RMB3.9 yuan for every 10 shares (tax included) amounting to RMB2,974 million in total for the year ended 31 December 2016.

The dividend distribution of the Company triggered the mandatory interest payment event of perpetual subordinated bonds. As at 30 June 2018, the Company has recognized the dividend payable to other equity instrument holders of RMB590 million (31 December 2017: RMB590 million).

19. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

The numerator of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect (a) the interest of dilutive potential ordinary shares recognized in profit or loss, where applicable, (b) the income or expenses from conversion of dilutive potential ordinary shares into ordinary shares, (c) the dilutive effect of subsidiaries' potential ordinary shares and (d) tax impact of the above adjustments.

The denominator of the diluted earnings per share amount is the total number of (a) the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and (b) the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

When calculating the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares issued in prior years assumed to be converted at the beginning of the period and those issued in the period assumed to be converted at the issuance date. The Group has convertible corporate bonds as dilutive potential ordinary shares.

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19. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are as follows:

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Earnings		
Profit attributable to equity holders of the Company	4,009,001	4,756,266
Less: Profit attributable to other equity holders of the Company	295,000	295,000
Profit attributable to ordinary equity holders of the Company	3,714,001	4,461,266
Add: Interest expense on convertible bonds, net of tax	108,683	—
Less: Dilutive effect of a subsidiary's potential ordinary shares	870	2,740
Adjusted profit attributable to ordinary equity holders of the Company	3,821,814	4,458,526
Shares (in thousand)		
Weighted average number of ordinary shares issue during the period	8,713,939	7,979,822
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares	346,534	—
Adjusted weighted average number of ordinary shares in issue during the period	9,060,473	7,979,822
Earnings per share attributable to ordinary equity holders of the Company (RMB Yuan per share)		
—Basic	0.43	0.56
—Diluted	0.42	0.56

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20. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	Construction in progress	Others	Total
Unaudited									
Cost									
As at 1 January 2018	2,880,380	472,056	31,339	1,287,230	18,842	156,994	753,300	46,816	5,646,957
Additions	4,100	23,420	1,263	53,209	639	1,606	214,594	2,041	300,872
Transfers during the period	—	48,984	3,351	25,323	—	—	(94,282)	—	(16,624)
Disposals	—	(5,253)	(2,687)	(56,437)	(314)	(6,282)	—	(278)	(71,251)
As at 30 June 2018	2,884,480	539,207	33,266	1,309,325	19,167	152,318	873,612	48,579	5,859,954
Accumulated depreciation									
As at 1 January 2018	(634,451)	(260,138)	(13,051)	(777,209)	(11,964)	(106,838)	—	(20,454)	(1,824,105)
Depreciation charge	(50,914)	(41,193)	(1,796)	(92,810)	(833)	(5,922)	—	(1,290)	(194,758)
Disposals	—	5,242	2,375	46,603	291	5,953	—	264	60,728
As at 30 June 2018	(685,365)	(296,089)	(12,472)	(823,416)	(12,506)	(106,807)	—	(21,480)	(1,958,135)
Impairment									
As at 1 January 2018 and 30 June 2018	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 30 June 2018	2,106,862	243,118	20,794	485,909	6,661	45,511	873,612	27,099	3,809,566
Audited									
	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	Construction in progress	Others	Total
Cost									
As at 1 January 2017	2,912,621	408,063	30,476	1,151,927	17,208	151,445	523,656	74,740	5,270,136
Additions	32,914	70,437	3,769	159,680	2,953	19,117	428,881	3,228	720,979
Transfers during the year	—	40,811	46	56,958	—	—	(199,237)	479	(100,943)
Disposals	(65,155)	(47,255)	(2,952)	(81,335)	(1,319)	(13,568)	—	(31,631)	(243,215)
As at 31 December 2017	2,880,380	472,056	31,339	1,287,230	18,842	156,994	753,300	46,816	5,646,957
Accumulated depreciation									
As at 1 January 2017	(560,468)	(235,193)	(12,781)	(686,422)	(11,863)	(106,939)	—	(21,101)	(1,634,767)
Depreciation charge	(105,269)	(63,187)	(3,083)	(165,528)	(1,348)	(13,002)	—	(2,309)	(353,726)
Disposals	31,286	38,242	2,813	74,741	1,247	13,103	—	2,956	164,388
As at 31 December 2017	(634,451)	(260,138)	(13,051)	(777,209)	(11,964)	(106,838)	—	(20,454)	(1,824,105)
Impairment									
As at 1 January 2017 and 31 December 2017	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 31 December 2017	2,153,676	211,918	18,288	510,021	6,878	50,156	753,300	26,362	3,730,599

As at 30 June 2018 and 31 December 2017, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB239,571 thousand and RMB239,571 thousand, respectively.

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21. PREPAID LAND LEASE PAYMENTS

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Cost		
As at 1 January	<u>876,029</u>	<u>876,029</u>
As at period/year end	<u>876,029</u>	<u>876,029</u>
Accumulated amortization		
As at 1 January	<u>(71,641)</u>	<u>(52,534)</u>
Amortization	<u>(9,538)</u>	<u>(19,107)</u>
As at period/year end	<u>(81,179)</u>	<u>(71,641)</u>
Carrying amount		
As at period/year end	<u><u>794,850</u></u>	<u><u>804,388</u></u>

22. GOODWILL

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Cost	<u>581,407</u>	<u>581,407</u>
Less: Impairment losses	<u>—</u>	<u>—</u>
Carrying amount	<u><u>581,407</u></u>	<u><u>581,407</u></u>

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22. GOODWILL (continued)

Impairment testing on goodwill:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cost and carrying value		
Unit A — Shanghai Securities Co., Ltd	578,916	578,916
Unit B — Guotai Junan Futures Co., Ltd	2,491	2,491
Total	<u>581,407</u>	<u>581,407</u>

The Company acquired 51% of the equity interest in Shanghai Securities Co., Ltd (“Shanghai Securities”) from Shanghai International Group Co., Ltd. in July 2014. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the cash-generating unit (“CGU”) of Shanghai Securities Co., Ltd.

The Company acquired 100% of the equity interest in Guotai Junan Futures Co., Ltd. (“GTJA Futures”) from a third party in 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd.

The recoverable amounts of Unit A and Unit B have been determined on the basis of value in use calculation. The calculation used cash flow projections based on financial budgets approved by management and a pre-tax discount rate which reflected the risk specific to the cash-generating units. Other assumptions include budgeted income and gross margin estimated based on the past performance and management’s expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

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23. OTHER INTANGIBLE ASSETS

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Unaudited					
Cost					
As at 1 January 2018	623,706	207,240	1,066,264	33,049	1,930,259
Additions	42,876	—	—	1,365	44,241
Disposal	(26,312)	—	—	(15,065)	(41,377)
As at 30 June 2018	640,270	207,240	1,066,264	19,349	1,933,123
Accumulated amortization					
As at 1 January 2018	(337,626)	(128,079)	—	(1,275)	(466,980)
Amortization	(48,803)	—	—	—	(48,803)
Disposal	20,156	—	—	(6)	20,150
As at 30 June 2018	(366,273)	(128,079)	—	(1,281)	(495,633)
Impairment					
As at 1 January 2018	—	(4,756)	—	(16,252)	(21,008)
Disposal	—	—	—	5,777	5,777
As at 30 June 2018	—	(4,756)	—	(10,475)	(15,231)
Net carrying amount					
As at 30 June 2018	273,997	74,405	1,066,264	7,593	1,422,259

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23. OTHER INTANGIBLE ASSETS (continued)

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Audited					
Cost					
As at 1 January 2017	467,146	207,240	1,066,264	33,241	1,773,891
Additions	156,560	—	—	—	156,560
Disposal	—	—	—	(192)	(192)
As at 31 December 2017	<u>623,706</u>	<u>207,240</u>	<u>1,066,264</u>	<u>33,049</u>	<u>1,930,259</u>
Accumulated amortization					
As at 1 January 2017	(249,088)	(128,079)	—	(1,275)	(378,442)
Amortization	<u>(88,538)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(88,538)</u>
As at 31 December 2017	<u>(337,626)</u>	<u>(128,079)</u>	<u>—</u>	<u>(1,275)</u>	<u>(466,980)</u>
Impairment					
As at 1 January 2017	—	(4,756)	—	(6,252)	(11,008)
Addition	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,000)</u>	<u>(10,000)</u>
As at 31 December 2017	<u>—</u>	<u>(4,756)</u>	<u>—</u>	<u>(16,252)</u>	<u>(21,008)</u>
Net carrying amount					
As at 31 December 2017	<u>286,080</u>	<u>74,405</u>	<u>1,066,264</u>	<u>15,522</u>	<u>1,442,271</u>

The respective recoverable amounts of the cash-generating units relating to the securities brokerage business whereby these trading seats rights are allocated to, using a value in use calculation, exceed the carrying amounts. Management determined that there was no impairment of the trading seats rights as at 30 June 2018 and 31 December 2017.

The other intangible assets of securities and futures brokerage qualification are generated from the acquisition of Shanghai Securities, and the impairment of which is tested together with the goodwill arising from the acquisition of Shanghai Securities, that is, the carrying amount of securities and futures brokerage qualification was included in the cash-generating unit to which the goodwill was allocated for impairment testing purposes. Management believes that there was no impairment of the securities and futures brokerage qualification as at 30 June 2018 and 31 December 2017. Refer to note 22 for impairment testing of goodwill arising from the acquisition of Shanghai Securities.

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24. INTERESTS IN STRUCTURED ENTITIES

(a) INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities including asset management schemes, trust schemes and limited partnerships. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of those structured entities that is of such significance that it indicates that the Group is a principal.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group exercises the power throughout the structured entities including limited partnerships and asset management products by acting as manager or general partner during the period/year. Except for the structured entities the Group has consolidated stated in note 24(a), in management's opinion, the variable returns the Group exposed to over these structured entities that the Group has interest in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as financial assets at fair value through profit or loss and investments in associates and joint ventures. As at 30 June 2018 and 31 December 2017, the carrying amounts of the Group's interests in unconsolidated structured entities amounted to RMB12,686 million and RMB9,226 million, respectively. The management fee arising from these unconsolidated structured entities amounted to RMB376 million and RMB461 million for the periods ended 30 June 2018 and 2017, respectively.

The carrying amounts of interests in unconsolidated structured entities in the consolidated statements of financial position are approximately equal to the maximum exposure to the loss of interests held by the Group in the unconsolidated structured entities.

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Share of net assets		
— Associates	1,333,460	1,309,278
— Joint ventures	1,797,522	2,303,249
Total	<u>3,130,982</u>	<u>3,612,527</u>

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25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

At the end of each reporting period, the Group has the following associates and joint ventures:

				Percentage of equity interests	
Name of associates and joint ventures	Place of incorporation or primary business	Registered capital (Expressed in yuan)	Principal activities	As at	As at
				30 June 2018	31 December 2017
Associates:					
Anhui Guozhen Group Co., Ltd.	Hefei, PRC	RMB82,810,000	Project investment and investment management	25%	25%
Panguhongye Equity Investment Centre LLP	Suzhou, PRC	RMB30,300,000	Equity investment	33%	33%
Shenzhen GTJA Shenyi Phase 1 Investment Fund LLP	Shenzhen, PRC	RMB400,000,000	Investment management and advisory	25%	25%
Shenzhen GTJA Leading Junding Phase 1 Investment Fund LLP	Shenzhen, PRC	RMB130,000,000	Investment management and advisory	38%	38%
Yingtanshi GTJA Chuangtoulongxin Equity Investment Centre LLP (2)	Yingtian, PRC	RMB169,181,800	Investment management and advisory	18%	18%
Xiamen Hongxin Electron-Tech Co., Ltd. (2)	Xiamen, PRC	RMB104,000,000	Flexible printed circuit board research and design	6%	6%
Shanghai Kechuang Center Equity Investment Fund Management Co., Ltd. (2)	Shanghai, PRC	RMB100,000,000	Investment management and equity investment	13%	13%
Huaan Funds Management Co., Ltd. ("Hua An Fund")	Shanghai, PRC	RMB150,000,000	Fund management	20%	20%
Joint ventures:					
GTJA Shenyi (Shenzhen) Funds Management Co., Ltd.(1)	Shenzhen, PRC	RMB20,000,000	Investment management and equity investment	51%	51%
Shenzhen GTJA Leading Investment Management Co., Ltd. (1)	Shenzhen, PRC	RMB15,000,000	Investment management and equity investment	51%	51%
Xiamen GTJA Jianfa Equity Investment Company LLP (2)	Xiamen, PRC	RMB200,100,000	Investment management and equity investment	10%	20%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	Shanghai, PRC	RMB100,000,000	Investment management and equity investment	25%	25%
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	Shanghai, PRC	RMB500,000,000	Investment management and equity investment	20%	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP (1)	Shanghai, PRC	RMB1,000,200,000	Investment management and equity investment	55%	55%
Shanghai North Industries GTJA Investment Management Co., Ltd.	Shanghai, PRC	RMB10,000,000	Investment management and advisory	40%	40%
Shanghai Junzheng Investment Management Co., Ltd. (1)	Shanghai, PRC	RMB10,000,000	Investment management and advisory	51%	51%
Shanghai GTJA Haojing Investment Management Co., Ltd.	Shanghai, PRC	RMB10,000,000	Investment management and advisory	50%	50%
Shanxi GTJA Chuangtou Equity Investment Company LLP	Shanghai, PRC	RMB200,000,000	Investment management and advisory	30%	30%

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25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

Name of associates and joint ventures	Place of incorporation or primary business	Registered capital (Expressed in yuan)	Principal activities	Percentage of equity interests	
				As at 30 June 2018	As at 31 December 2017
Shanghai Guojun Chuangtou Zhengjun No.4 Equity Investment LLP (1)	Shanghai, PRC	RMB42,240,000	Investment management and advisory	63%	63%
Shanghai Guojun Chuangtou Zhengjun No.2 Equity Investment LLP	Shanghai, PRC	RMB100,010,000	Investment management and advisory	25%	25%
Shanghai Guojun Chuangtou Longbo Investment Management Centre LLP (2)	Shanghai, PRC	RMB139,400,000	Investment management and advisory	18%	18%
Shanghai Guojun Chuangtou Longzhang Investment Management Centre LLP (2)	Shanghai, PRC	RMB233,000,000	Investment management and advisory	17%	17%
Shanghai Juntong Jinglian Investment LLP (1)	Shanghai, PRC	RMB701,000,000	Investment management and advisory	100%	100%
Juntong Phase II Fund (1)	Shanghai, PRC	RMB401,000,000	Investment management and advisory	51%	51%

- (1) Although the Group's percentages of shareholdings in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control over these investees due to relevant arrangements stipulated in the articles of association or other agreements.
- (2) Although the Group's percentages of shareholdings in these investees are less than 20%, they are accounted for as associates or joint ventures as the Group has significant influence over these investees due to relevant arrangements stipulated in the articles of association or other agreements.

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Share of associates' profit for the period	52,637	5,107
Share of joint ventures' profit for the period	41,314	9,879
Total	93,951	14,986
	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Share of associates' total comprehensive income for the period	34,406	4,601
Share of joint ventures' total comprehensive income for the period	(442,516)	25,154
Total	(408,110)	29,755
	As at	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Aggregate carrying amount of the Group's investments in associates	1,333,460	1,309,278
Aggregate carrying amount of the Group's investments in joint ventures	1,797,522	2,303,249

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26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Non-current		
At fair value:		
— Equity securities	—	5,345,716
— Funds	—	639,178
— Debt securities	—	10,601,881
— Contribution to designated accounts at China Securities Finance Corporation Limited	—	14,078,132
— Other investments	—	5,829,002
At cost:		
— Equity securities	—	1,846,097
Total	—	38,340,006
Analyzed as:		
Listed in Hong Kong	—	1,416,326
Listed outside Hong Kong	—	7,501,068
Unlisted	—	29,422,612
Total	—	38,340,006
Current		
At fair value:		
— Debt securities	—	1,631,794
Total	—	1,631,794
Analyzed as:		
Listed outside Hong Kong	—	1,631,794
Total	—	1,631,794

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27. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Non-current		
Debt securities	22,419,799	—
Analyzed as:		
Listed in Hong Kong	905,651	—
Listed outside Hong Kong	11,240,498	—
Unlisted	10,273,650	—
Total	22,419,799	—

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current		
Debt securities	3,333,574	—
Analyzed as:		
Listed in Hong Kong	1,359,734	—
Listed outside Hong Kong	1,071,804	—
Unlisted	902,036	—
Total	3,333,574	—

(a) Analysis of the movements of allowance for ECL/impairment losses:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
At the end of last year	—	—
Impact of adopting IFRS 9	238,621	—
At the beginning of the period/year	238,621	—
Utilize during the period/year	(83,979)	—
At the end of the period/year	154,642	—

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28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Non-current		
Contribution to designated accounts at China Securities Finance Corporation Limited ("CSFC investment") ⁽¹⁾	13,496,712	—
Equity securities ⁽²⁾	7,464,294	—
Total	20,961,006	—
Analyzed as:		
Listed in Hong Kong	2,642,489	—
Listed outside Hong Kong	4,222,566	—
Unlisted	14,095,951	—
Total	20,961,006	—

(1) As at 30 June 2018, the equity instruments at fair value through other comprehensive income included funds contributed by the Company together with various PRC securities firms, to designated accounts managed by China Securities Finance Corporation Limited ("CSFC"). Under the relevant agreements with CSFC, the Company contributed a total amount of RMB17,014 million in July and September 2015. CSFC managing the operation and investment of the designated accounts and securities firms will share the risks and returns from the investments in proportion to their respective contributions. As at 30 June 2018, the cost and fair value of the Company's contribution were RMB12,688 million and RMB13,497 million based on the investment account statement provided by CSFC.

(2) As at 30 June 2018, the listed equity securities of the Group included approximately RMB174,614 thousand of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group from disposing them within the specified period. The fair value of the securities is determined by reference to the quoted market prices and discounted to reflect the effect of the restriction.

As at 30 June 2018, the Group entered into securities lending arrangements with clients that resulted in the transfers of equity instruments at fair value through other comprehensive income with total fair values of RMB 498,721 thousand to external clients. As at 30 June 2018, the Group had securities transferred to CSFC with a total fair value of RMB1,186,544 thousand as a pledge for placements. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.

The fair value of the collateral for the securities lending business is analyzed in note 36 together with the fair value of the collateral of the margin financing business.

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29. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Non-current		
Equity securities	15,536,985	27,619,010
Less: Allowance for ECL/impairment losses	(290,450)	(262,006)
Total	<u>15,246,535</u>	<u>27,357,004</u>
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current		
Equity securities	41,331,902	50,007,920
Funds	—	214
Debt securities	16,712,515	12,562,764
Precious metals	2,333,110	3,110,746
Less: Allowance for ECL/impairment losses	(1,082,917)	(439,449)
Total	<u>59,294,610</u>	<u>65,242,195</u>

(b) Analyzed by market:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Non-current		
Stock exchanges	15,536,985	27,619,010
Less: Allowance for ECL/impairment losses	(290,450)	(262,006)
Total	<u>15,246,535</u>	<u>27,357,004</u>
	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current		
Stock exchanges	43,476,602	51,192,234
Interbank market	13,429,015	9,426,365
Over the counter	3,471,910	5,063,045
Less: Allowance for ECL/impairment losses	(1,082,917)	(439,449)
Total	<u>59,294,610</u>	<u>65,242,195</u>

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29. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(c) Analysis of the movement of allowance for ECL/impairment losses:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
At the end of last year	701,455	546,017
Impact of adopting IFRS 9	263,686	—
At the beginning of the period/year	965,141	546,017
Charge for the period/year	408,226	155,572
Amounts written off	—	(134)
At the end of the period/year	<u>1,373,367</u>	<u>701,455</u>

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Non-current		
At fair value through profit or loss:		
Debt securities	1,202,515	—
Funds	797,914	—
Equity securities (2)	629,506	—
Other investments (3)	205,960	—
Designated as at fair value through profit or loss:		
Funds	—	300,000
Total	<u>2,835,895</u>	<u>300,000</u>
Analyzed as:		
Listed outside Hong Kong	819,965	—
Unlisted	2,015,930	300,000
Total	<u>2,835,895</u>	<u>300,000</u>

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

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Current		
At fair value through profit or loss:		
Debt securities	60,748,974	40,775,513
Funds (1)	29,419,467	18,735,986
Equity securities (1)	10,694,987	8,125,365
Asset Management Schemes	5,227,803	1,611,111
Wealth Management Products	3,888,091	—
Asset backed securities	2,153,453	275,101
Other investments (3)	1,120,704	908,373
Designated as at fair value through profit or loss:		
Debt securities	—	19,245,246
Funds	—	6,987,350
Equity securities (2)	—	584,556
Other investments (3)	—	953,514
Total	<u><u>113,253,479</u></u>	<u><u>98,202,115</u></u>
Analyzed as:		
Listed in Hong Kong	8,268,483	6,516,210
Listed outside Hong Kong	32,777,484	40,193,011
Unlisted	<u><u>72,207,512</u></u>	<u><u>51,492,894</u></u>
Total	<u><u>113,253,479</u></u>	<u><u>98,202,115</u></u>

- (1) As at 30 June 2018, the Group entered into securities lending arrangements with clients that resulted in the transfers of financial assets at fair value through profit or loss with total fair values of RMB51,537 thousand to external clients (31 December 2017: nil). As at 30 June 2018 and 31 December 2017, The Group had securities transferred to CSFC with total fair values of RMB1,084,886 thousand and RMB1,626,780 thousand as pledges for placement. These have not resulted in the derecognition of the financial assets in accordance with the accounting policy.
- (2) As at 30 June 2018 and 31 December 2017, the listed equity securities of the Group included approximately RMB12,793 thousand and RMB166,056 thousand of restricted shares. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group from disposing of them within the specified period. The fair value of the securities is determined by reference to the quoted market prices and discounted to reflect the effect of the restriction.
- (3) Other investments mainly represent investments in perpetual bonds, limited partnerships, precious metals, etc.

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31. REFUNDABLE DEPOSITS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Deposits with exchanges and other financial institutions:		
Futures business	6,945,273	5,887,261
Credit business	532,033	515,737
Trading business	438,948	476,442
Others	146,262	35,214
Total	<u>8,062,516</u>	<u>6,914,654</u>

32. DEFERRED TAX

For the purpose of presentation in the Group's statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Deferred tax assets	648,067	333,909
Deferred tax liabilities	<u>(98,690)</u>	<u>(181,608)</u>
Total	<u>549,377</u>	<u>152,301</u>

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32. DEFERRED TAX *(continued)*

The following are the major deferred tax assets and liabilities recognized and the movements thereon in the year 2017 and the six months ended 30 June 2018:

Deferred tax arising from:	Allowance for ECL/ impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Fair value revaluation on acquisition of subsidiaries	Deductible tax losses	Others	Total
As at 1 January 2017	438,722	1,191,479	(538,659)	(461,654)	30,107	(1,550)	658,445
Recognized in profit or loss	55,300	(299,015)	(10,945)	9,333	(16,279)	(7,265)	(268,871)
Recognized in other comprehensive income	—	—	(231,638)	—	—	(5,635)	(237,273)
As at 31 December 2017	494,022	892,464	(781,242)	(452,321)	13,828	(14,450)	152,301
Impact of adopting IFRS 9	(21,657)	—	101,816	—	—	2	80,161
As at 1 January 2018	472,365	892,464	(679,426)	(452,321)	13,828	(14,448)	232,462
Recognized in profit or loss	165,907	(172,949)	151,051	4,667	(12,185)	(179,502)	(43,011)
Recognized in other comprehensive income	—	—	335,119	—	—	125,511	460,630
Transferred out	—	—	(56,510)	—	—	—	(56,510)
Disposal of a subsidiary	—	(21,558)	(12,973)	—	—	(9,663)	(44,194)
As at 30 June 2018	638,272	697,957	(262,739)	(447,654)	1,643	(78,102)	549,377

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

33. OTHER NON-CURRENT ASSETS

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Term loan	1,988,891	25,008
Prepayments (1)	572,268	572,268
Advances relating to lawsuits	256,037	256,037
Long-term deferred expenses (2)	68,192	67,922
Deposit	62,004	—
Others	384,051	462,491
Less: Allowance for ECL/impairment losses (3)	(622,019)	(706,228)
Total	2,709,424	677,498

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33. OTHER NON-CURRENT ASSETS (continued)

- (1) On 16 October 2013, the Company entered into an agreement with Shanghai Bund & Riverside Comprehensive Development Co., Ltd. ("Bund & Riverside Development"). According to this agreement, the Company agreed to purchase one of the six properties developed by Bund & Riverside Development. As of 30 June 2018, the prepayment for this project amounted to RMB572.3 million (31 December 2017: RMB572.3 million).

- (2) The movements of long-term deferred expenses are as follows:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Balance at the beginning of the period/year	67,922	57,515
Increase	12,338	34,243
Decrease	(12,068)	(23,836)
Balance at the end of the period/year	<u>68,192</u>	<u>67,922</u>

- (3) Analysis of the movements of allowance for ECL/impairment losses:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
At the beginning of the period/year	706,228	660,699
Charge for the period/year	995	63,491
Amounts written off	(85,204)	(17,962)
At the end of the period/year	<u>622,019</u>	<u>706,228</u>

34. ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Accounts receivable from:		
– Brokers and dealers	2,365,562	2,630,485
– Fee and commission	813,617	782,652
– Settlement	374,317	639,885
– Cash and custodian clients	186,786	156,758
– Fund management fee	54,878	92,768
Less: Allowance for ECL/impairment losses	(23,894)	(14,187)
Total	<u>3,771,266</u>	<u>4,288,361</u>

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34. ACCOUNTS RECEIVABLE *(continued)*

(b) Analyzed by aging:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Within 1 year	<u>3,771,266</u>	<u>4,288,361</u>

(c) Analysis of the movements of allowance for ECL/impairment losses:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
At the end of last year	14,187	12,276
Impact of adopting IFRS 9	<u>27,533</u>	<u>—</u>
At the beginning of the period/year	41,720	12,276
Charge for the period/year	65,464	1,911
Amounts written off	<u>(83,290)</u>	<u>—</u>
At the end of the period/year	<u>23,894</u>	<u>14,187</u>

35. OTHER CURRENT ASSETS

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Interest receivable	2,928,292	2,977,099
Term loans	1,055,463	2,541,659
Dividends receivable	274,046	149,399
Deposit	163,761	111,601
Prepayment for expenses	148,836	125,068
Bulk commodities trading inventory	120,356	5,235
Prepayments	43,973	63,722
Others	338,442	362,332
Less: Allowance for ECL/impairment losses	<u>(78,864)</u>	<u>(65,605)</u>
Total	<u>4,994,305</u>	<u>6,270,510</u>

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35. OTHER CURRENT ASSETS *(continued)*

Analysis of the movements of allowance for ECL/impairment losses:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
At the end of last year	65,605	—
Impact of adopting IFRS 9	2,088	—
At the beginning of the period/year	67,693	—
Charge for the period/year	11,171	65,605
At the end of the period/year	<u>78,864</u>	<u>65,605</u>

36. MARGIN ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Individuals	50,817,593	60,712,237
Institutions	11,852,280	13,680,943
Less: Allowance for ECL/impairment losses	<u>(504,513)</u>	<u>(409,233)</u>
Total	<u>62,165,360</u>	<u>73,983,947</u>

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36. MARGIN ACCOUNTS RECEIVABLE *(continued)*

(b) Analysis of the movements of allowance for ECL/impairment losses:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
At the end of last year	409,233	298,502
Impact of adopting IFRS 9	31,958	—
At the beginning of the period/year	441,191	298,502
Charge for the period/year	63,322	116,832
Amounts written off	—	(6,101)
At the end of the period/year	504,513	409,233

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Fair value of collateral:		
– Equity securities	178,055,742	265,299,828
– Cash	7,853,434	7,037,093
Total	185,909,176	272,336,921

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37. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2018		
	Nominal	Fair value	
	amount	Assets	Liabilities
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Interest rate derivatives			
– Treasury futures	5,911,569	7,334	—
– Interest rate swap	1,135,118,532	4,411	(157,375)
Currency derivatives			
– Currency swaps	8,208,898	16,391	(2,525)
– Foreign exchange forward	1,413,219	14,907	(7,115)
– Foreign exchange options	129,838	2,572	(1,914)
Equity derivatives			
– Stock index futures	2,454,025	47,171	—
– Forward contracts	5,519,935	12,873	(59,655)
– Equity return swaps	804,652	7,904	(4,113)
– Stock options	4,848,794	131,743	(20,707)
Others			
– Precious metals futures	1,212,745	—	(15,781)
– Au (T+D)	588,113	—	(701)
– Commodity futures	1,629,177	2,947	(2,852)
– Gold options	2,503,484	110,325	(57,518)
– Commodity options	1,859,374	12,558	(19,728)
– Others	499,718	3,217	—
Less: Cash (received)/paid as settlement		(60,009)	165,267
Total		314,344	(184,717)

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37. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

	As at 31 December 2017		
	Nominal	Fair value	
	amount	Assets	Liabilities
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Interest rate derivatives			
– Treasury futures	4,830,771	—	(2,777)
– Interest rate swap	566,545,135	1,298	(131,257)
– Interest rate options	6,981	47	—
Currency derivatives			
– Currency swaps	5,235,981	24,020	(33,342)
– Foreign exchange forward	3,224,558	42,508	(2,569)
– Foreign exchange options	1,000	50	—
Equity derivatives			
– Stock index futures	1,975,239	11,354	—
– Forward contracts	1,697,666	3,708	(9,491)
– Equity return swaps	65,704	4,311	—
– Stock options	5,601,567	107,175	(46,611)
Others			
– Precious metals futures	803,012	15,892	—
– Au (T+D)	681,187	6,299	—
– Commodity futures	702,430	—	(26,206)
– Gold options	4,709,714	128,992	(287,045)
– Commodity options	329,357	2,254	(2,552)
– Others	94	871	—
Less: Cash (received)/paid as settlement		(33,546)	139,022
Total		<u>315,233</u>	<u>(402,828)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts and currency swaps contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, precious metals futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

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38. CLEARING SETTLEMENT FUNDS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	2,760,126	2,128,688
– Others	13,532	29,001
Total	<u>2,773,658</u>	<u>2,157,689</u>

As at 30 June 2018 and 31 December 2017, the Group's clearing settlement funds of RMB21,157 thousand and RMB11,945 thousand, respectively, were restricted.

39. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the ground that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

40. CASH AND BANK BALANCES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Cash on hand	491	516
Bank balances	20,873,644	15,985,433
Total	<u>20,874,135</u>	<u>15,985,949</u>

As at 30 June 2018 and 31 December 2017, the Group's bank balances of RMB203,690 thousand and RMB447,789 thousand, respectively, were restricted.

As at 30 June 2018, the ECL allowance of cash and cash balances amounted to RMB25 thousand (31 December 2017: nil).

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) cash and cash equivalents

	As at 30 June 2018 <i>(Unaudited)</i>	As at 30 June 2017 <i>(Unaudited)</i>
Cash on hand	491	669
Bank balances	20,873,644	17,050,274
Clearing settlement funds	2,773,658	1,500,996
Financial assets held under resale agreements with original maturity of less than three months	14,681,435	11,820,150
Less: Bank deposits with original maturity of more than three months, risk reserve deposits, restricted bank balances and clearing settlement funds	<u>(6,137,703)</u>	<u>(2,815,800)</u>
Total	<u><u>32,191,525</u></u>	<u><u>27,556,289</u></u>

(b) Changes in liabilities arising from financing activities

	Loans and borrowings	Short-term debt instrument	Bonds payable
At 1 January 2017	8,140,701	14,847,586	72,738,765
Changes from financing cash flows	(1,606,729)	(2,562,746)	(10,289,923)
Non-cash changes	<u>—</u>	<u>—</u>	<u>6,047</u>
At 30 June 2017	<u>6,533,972</u>	<u>12,284,840</u>	<u>62,454,889</u>
At 1 January 2018	<u><u>11,520,278</u></u>	<u><u>36,454,635</u></u>	<u><u>68,312,091</u></u>
Changes from financing cash flows	(2,861,264)	(9,892,314)	7,320,000
Non-cash changes	<u>—</u>	<u>—</u>	<u>199,693</u>
At 30 June 2018	<u><u>8,659,014</u></u>	<u><u>26,562,321</u></u>	<u><u>75,831,784</u></u>

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42. LOANS AND BORROWINGS

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Current		
Unsecured loans and borrowings	8,659,014	11,520,278

As at 30 June 2018 and 31 December 2017, the current unsecured loans and borrowings of the Group were repayable within one year, bearing interest at annual rates ranging from 2.00% to 3.44% and from 1.60% to 2.78%, respectively.

43. SHORT-TERM DEBT INSTRUMENTS

	Nominal	Balance as			Balance as
	interest rate	at 1 January 2018	Increase	Decrease	at 30 June 2018
Unaudited					
Short-term financing bills payable	4.23%-4.99%	6,000,000	13,500,000	(12,500,000)	7,000,000
Medium-term notes	0.90%-2.80%	3,756,035	2,465,280	(903,220)	5,318,095
Short-term corporate bonds	5.10%	1,999,950	36	—	1,999,986
Structured notes	3.85%-5.45%	24,698,650	14,719,530	(27,173,940)	12,244,240
Total		36,454,635	30,684,846	(40,577,160)	26,562,321
	Nominal	Balance as			Balance as
	interest rate	at 1 January 2017	Increase	Decrease	at 31 December 2017
Audited					
Short-term financing bills payable	2.75%-4.99%	6,000,000	8,000,000	(8,000,000)	6,000,000
Medium-term notes	0.90%-2.80%	57,606	3,889,446	(191,017)	3,756,035
Short-term corporate bonds	4.30%-5.10%	—	7,999,826	(5,999,876)	1,999,950
Structured notes	3.90%-6.66%	8,789,980	41,998,780	(26,090,110)	24,698,650
Total		14,847,586	61,888,052	(40,281,003)	36,454,635

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44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Placements from banks (1)	3,950,000	900,000
Placements from CSFC (2)	3,700,000	6,700,000
Total	<u>7,650,000</u>	<u>7,600,000</u>

- (1) As at 30 June 2018 and 31 December 2017, placements from banks were repayable within one year, bearing annual interest rates ranging from 2.98% to 4.20% and from 3.20% to 6.10%, respectively.
- (2) As at 30 June 2018 and 31 December 2017, placements from CSFC were repayable within one year, bearing annual interest rates ranging from 5.10% to 5.40% and from 5.10% to 5.40%, respectively.

45. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Margin financing and securities lending deposits	12,367,895	10,605,418
Other brokerage business deposits	80,658,012	73,750,814
Total	<u>93,025,907</u>	<u>84,356,232</u>

Accounts payable to brokerage customers mainly include money held on behalf of customers in banks and clearing houses, and are interest-bearing at the prevailing market interest rates.

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

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

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46. EMPLOYEE BENEFITS PAYABLE

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current		
Salaries, bonuses and allowances	3,883,627	4,658,925
Contributions to defined contribution schemes	22,501	16,515
Social welfare and others	349,057	330,514
Total	4,255,185	5,005,954
Non-current		
Salaries, bonuses and allowances	—	622,458
Total	—	622,458

47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current		
Bonds	41,598,499	31,263,560
Margin accounts receivable-backed repurchase	4,300,000	4,900,000
Funds	2,791,551	3,512,237
Precious metal	1,597,012	4,173,788
Stock	468,873	—
Total	50,755,935	43,849,585

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47. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS *(continued)*

(a) Analyzed by collateral type: *(continued)*

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Non-current		
Margin accounts receivable-backed repurchase	—	3,000,000
Total	—	3,000,000

(b) Analyzed by market:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Current		
Interbank market	27,757,414	17,147,994
Stock exchanges	17,101,510	17,927,803
Over the counter	5,897,011	8,773,788
Total	50,755,935	43,849,585

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Non-current		
Over the counter	—	3,000,000
Total	—	3,000,000

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48. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current		
At fair value through profit or loss (1)		
– Debt securities	7,156,554	2,740,626
– Gold	2,480,335	2,460,958
Designated as at fair value through profit or loss		
– Debt securities (2)	19,521,497	17,852,004
– Interest attributable to other holders of consolidated structured entities (3)	551,957	400,784
Total	<u>29,710,343</u>	<u>23,454,372</u>
Non-current		
Designated as at fair value through profit or loss		
– Debt securities (2)	—	1,013,019
– Interest attributable to other holders of consolidated structured entities (3)	621,662	—
Total	<u>621,662</u>	<u>1,013,019</u>

- (1) As at 30 June 2018 and 31 December 2017, included in the Group's financial liabilities through profit or loss were bonds and gold borrowed by the Group.
- (2) As at 30 June 2018 and 31 December 2017, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.
- (3) As at 30 June 2018 and 31 December 2017, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

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49. BONDS PAYABLE

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Current		
Corporate bonds (1)	3,302,235	—
Subordinated bonds (1)	—	1,279,944
Total	<u>3,302,235</u>	<u>1,279,944</u>
Non-current		
Corporate bonds (1)	46,636,153	41,140,610
Subordinated bonds (1)	24,993,396	24,991,537
Structured notes	900,000	900,000
Total	<u>72,529,549</u>	<u>67,032,147</u>

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows:

As at 30 June 2018

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate Bonds				
GUOTAI FH B1905(ii)	3,059,553	2014.05	2019.05	3.625%

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49. BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: (continued)

As at 30 June 2018 (continued)

Name	Par value	Issue date	Maturity date	Coupon rate
Non-current				
Corporate Bonds				
15 GUOJUN G1(iii)	5,000,000	2015.11	2020.11	3.60%
15 GUOJUN G2(iv)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G1(v)	5,000,000	2016.04	2021.04	2.97%
16 GUOJUN G2(vi)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G3(vii)	5,000,000	2016.08	2021.08	2.90%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
16 GUOJUN G5(viii)	3,000,000	2016.09	2021.09	2.94%
17 GUOJUN G1	4,700,000	2017.08	2020.08	4.57%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
17 GUOJUN G3	3,700,000	2017.10	2020.10	4.78%
GUOJUN Convertible bonds(ix)	7,000,000	2017.07	2023.07	0.20%
18 GUOJUN G1	4,300,000	2018.03	2021.03	5.15%
18 GUOJUN G2	4,300,000	2018.04	2021.04	4.55%
Subordinated Bonds				
16 GUOJUN C1(x)	5,000,000	2016.07	2020.07	3.30%
16 GUOJUN C2(xi)	4,000,000	2016.10	2020.10	3.14%
16 GUOJUN C3	3,000,000	2016.11	2019.11	3.34%
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%
17 GUOJUN C1	5,000,000	2017.02	2020.02	4.60%
17 Shanghai Securities C1	1,400,000	2017.05	2020.05	5.30%
17 Shanghai Securities C2	600,000	2017.08	2020.08	5.30%
17 Shanghai Securities C3	2,000,000	2017.11	2019.11	5.50%
17 GUOZI 01	1,000,000	2017.05	2020.05	4.60%

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49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

As at 31 December 2017

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Subordinated Bonds				
15 Shanghai Securities 02(i)	1,280,000	2015.04	2018.04	5.00%
Non-current				
Corporate Bonds				
GUOTAI FH B1905(ii)	3,059,553	2014.05	2019.05	3.625%
15 GUOJUN G1(iii)	5,000,000	2015.11	2020.11	3.60%
15 GUOJUN G2(iv)	1,000,000	2015.11	2022.11	3.80%
16 GUOJUN G1(v)	5,000,000	2016.04	2021.04	2.97%
16 GUOJUN G2(vi)	1,000,000	2016.04	2023.04	3.25%
16 GUOJUN G3(vii)	5,000,000	2016.08	2021.08	2.90%
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
16 GUOJUN G5(viii)	3,000,000	2016.09	2021.09	2.94%
17 GUOJUN G1	4,700,000	2017.08	2020.08	4.57%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
17 GUOJUN G3	3,700,000	2017.10	2020.10	4.78%
GUOJUN Convertible bonds(ix)	7,000,000	2017.07	2023.07	0.20%
Subordinated Bonds				
16 GUOJUN C1(x)	5,000,000	2016.07	2020.07	3.30%
16 GUOJUN C2(xi)	4,000,000	2016.10	2020.10	3.14%
16 GUOJUN C3	3,000,000	2016.11	2019.11	3.34%
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%
17 GUOJUN C1	5,000,000	2017.02	2020.02	4.60%
17 Shanghai Securities C1	1,400,000	2017.05	2020.05	5.30%
17 Shanghai Securities C2	600,000	2017.08	2020.08	5.30%
17 Shanghai Securities C3	2,000,000	2017.11	2019.11	5.50%
17 GUOZI 01	1,000,000	2017.05	2020.05	4.60%

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49. BONDS PAYABLE *(continued)*

- (1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*
- (i) In April 2015, Shanghai Securities issued 3-year subordinated bonds with par value of RMB2.1 billion. The bonds bear a fixed annual interest rate of 6.00% payable on an annual basis. At the end of the second year, Shanghai Securities has the right to adjust the interest rate. The Company has an option to redeem and the investors have an option to put back the bond at the end of the second year. In April 2017, a total of RMB820 million was redeemed as a result of the exercise of the option by investors. The interest rate has been decreased by issuer by 100bps to 5.00%. In April 2018, the remaining bonds were redeemed.
 - (ii) In May 2014, Guotai Junan Financial Holding Limited (BVI Co.) issued 5-year credit enhancement bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5754 and bear a fixed annual interest rate of 3.625% payable on a semi-annual basis.
 - (iii) In November 2015, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear a fixed annual interest rate of 3.60% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year.
 - (iv) In November 2015, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear a fixed annual interest rate of 3.80% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.
 - (v) In April 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear an annual interest rate of 2.97% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year.
 - (vi) In April 2016, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year.
 - (vii) In August 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB5 billion. The bonds bear a fixed annual interest rate of 2.90% payable on an annual basis. At the end of the third year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year.

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49. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

(viii) In September 2016, as approved by the CSRC, the Company issued 5-year corporate bonds with par value of RMB3 billion. The bonds bear a fixed annual interest rate of 2.94% payable on an annual basis. At the end of the third year, the Company has the right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the third year.

(ix) In July 2017, as approved by the CSRC, the Company issued 6-year A-share convertible bonds with par value of RMB7 billion. The convertible bonds bear a fixed annual interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The initial conversion price is RMB20.20 per share. The convertible bonds holders may exercise their rights to convert the convertible bonds into the Company's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 105% of the par value, inclusive of interest for the sixth year.

During the Conversion Period, if the closing price of the Company's A Shares is not less than or equal to 130% of the prevailing conversion price for at least 15 trading days out of any 30 consecutive trading days, or if the total outstanding amount is less than RMB30 million, the Company has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest.

The convertible corporate bonds issued have been split into the liability and equity components. After considering direct transaction costs, the Company recognized the equity part of the convertible corporate bonds as other equity instruments amounting to RMB1,129,841 thousand.

For the six months period ended 30 June 2018, convertible corporate bonds with a principal amount of RMB131 thousand were converted into 6,476 ordinary A shares.

(x) In July 2016, as approved by the CSRC, the Company issued 4-year subordinated bonds with par value of RMB5 billion. The bonds bear an annual interest rate of 3.30% payable on an annual basis. The issuer has an option to redeem the bonds at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bonds will increase by 300 bps. In July 2018, the Company redeemed all of the bonds.

(xi) In October 2016, as approved by the CSRC, the Company issued 4-year subordinated bonds with par value of RMB4 billion. The bonds bear an annual interest rate of 3.14% payable on an annual basis. The issuer has an option to redeem the bonds at the end of the second year. If the redemption option is not exercised, the nominal interest rate of the subordinated bonds will increase by 300 bps.

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50. OTHER CURRENT LIABILITIES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Interest payable	2,012,740	1,492,725
Accounts payable to brokers	1,942,020	1,852,254
Payables to priority tranche holders of structured entities	1,289,351	590,881
Other tax payable	866,579	1,075,694
Unsettled transaction payables	779,542	55,983
Dividends payable	716,606	700,673
Advance received from issuance of financial product	331,113	467,879
Underwriting fee payable in relation to listing of A shares and H shares	294,854	294,854
Accounts payable arising from derivative brokerage	243,445	247,162
Dividend received on behalf of customers	178,432	29,000
Proceeds from underwriting securities received on behalf of customers	71,641	59,674
Payable for a construction project	48,155	55,513
Payable for the Shenzhen Stock Exchange's membership management fee	48,000	—
Payables for the securities investor protection fund	46,907	50,876
Commission payable to other distributors	35,581	31,160
Advance received from disposal of a subsidiary	—	1,045,000
Distribution expense payable	—	43,740
Others	582,409	563,503
Total	9,487,375	8,656,571

51. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Risk reserve for futures brokerage business	123,859	118,864
Provision	82,114	82,142
Payables to priority tranche holders of structured entities	—	1,791,190
Total	205,973	1,992,196

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52. SHARE CAPITAL

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

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Registered, issued and fully paid ordinary shares of RMB1 yuan each:		
At the beginning of the period/year	8,713,934	7,625,000
The conversion of convertible bonds into ordinary shares	6	—
Issuance of shares	—	1,088,934
At the end of the period/year	<u>8,713,940</u>	<u>8,713,934</u>

53. OTHER EQUITY INSTRUMENTS

	As a 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Perpetual subordinated bonds (1)	10,000,000	10,000,000
Equity component of convertible bonds (2)	1,129,823	1,129,841
Total	<u>11,129,823</u>	<u>11,129,841</u>

- (1) On 22 January 2015, the Company issued the first batch of perpetual subordinated bonds amounting to RMB5 billion with an initial interest rate of 6.00%. On 3 April 2015, the Company issued the second batch of perpetual subordinated bonds amounting to RMB5 billion with an initial interest rate of 5.80% (collectively referred to as "Perpetual Subordinated Bonds"). The Perpetual Subordinated Bonds have no fixed maturity dates. The Company has an option to redeem them at their principal amounts plus any accrued interest, on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bond is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

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53. OTHER EQUITY INSTRUMENTS *(continued)*

The issuer has the option to defer the interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The Perpetual Subordinated Bonds issued by the Company are classified as equity instruments and presented under equity in the Group's statement of financial position.

As at 30 June 2018 and 31 December 2017, the Company recognized dividends payable to holders of the Perpetual Subordinated Bonds amounting to RMB590 million and RMB590 million (note 18), respectively.

- (2) Refer to note 49 for the issuance of convertible bonds.

54. RESERVES AND RETAINED PROFITS

(1) Capital reserve

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

(2) Investment revaluation reserve

Investment revaluation reserve mainly represents the fair value changes of available-for-sale financial assets debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", the articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the statutory surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

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54. RESERVES AND RETAINED PROFITS *(continued)*

(5) General reserve

The general reserve includes the general risk reserve and the transaction risk reserve.

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

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

(6) Retained profits

The movements of retained profits are set out below:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
At the end of last year	38,347,216	34,557,357
Impact of adopting IFRS 9	(314,011)	—
At the beginning of the period/year	38,033,205	34,557,357
Profit for the period/year	4,009,001	9,881,545
Appropriation to surplus reserve	—	(767,335)
Appropriation to general reserve	—	(1,760,601)
Dividends	(3,485,577)	(2,973,750)
Distribution to other equity instrument holders	(590,000)	(590,000)
Others	(169,530)	—
At the end of the period/year	<u>37,797,099</u>	<u>38,347,216</u>

55. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize these assets.

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55. TRANSFERRED FINANCIAL ASSETS (continued)

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable-backed repurchase whose beneficial rights are transferred to counterparties and repurchased by the Group at the maturity date. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for the securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities lent.

(3) Margin financing borrowing

Transferred financial assets that do not qualify for derecognition include securities transferred to CSFC. When CSFC exercises the rights attached to the securities, it shall follow the instructions of the Group. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities transferred.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

	Repurchase agreements	Securities lending	Margin financing borrowing
30 June 2018			
Carrying amount of transferred assets	6,910,924	550,257	2,271,430
Carrying amount of related liabilities	6,676,309	N/A	N/A
			Margin
31 December 2017	Repurchase agreements	Securities lending	financing borrowing
Carrying amount of transferred assets	11,326,213	572,566	2,224,070
Carrying amount of related liabilities	10,966,582	N/A	N/A

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56. COMMITMENTS

(1) Capital commitments

In June 2014, the Company commenced its self-used office buildings construction project on No. 49 land lot in Jingan District, Shanghai, after obtaining the relevant permit. The project is expected to be completed in 3 years, with a total budget of RMB1.6 billion, of which RMB748 million is the development cost and RMB876 million is the land cost. This budget has been approved in the 5th meeting of the 4th term of the board of directors. In August 2016, the adjustment of budget amounting to RMB1,879 million has been approved in the 2nd meeting of the 5th term of the board of directors. As at 30 June 2018 and 31 December 2017, the accumulated amounts paid by Shanghai Guoxiang Properties Co., Ltd (“Guoxiang Properties”) were RMB1,455 million and RMB1,352 million, respectively.

On 16 October 2013, the Company entered into an agreement with Bund & Riverside Development. According to this agreement, the Company agreed to purchase one of the 6 properties to be developed by Bund & Riverside Development on a land lot located at Huangpu District, Shanghai. The budget for this project is RMB1.18 billion, which was approved in the 10th meeting of the 4th term of the board of directors. As at 30 June 2018, the accumulated amounts paid by the Company amounted to RMB572 million (31 December 2017: RMB572 million).

(2) Operating lease commitments

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Within 1 year (inclusive)	857,418	659,675
1 to 2 years (inclusive)	653,321	394,716
2 to 3 years (inclusive)	565,606	303,303
After 3 years	1,820,906	425,571
Total	<u>3,897,251</u>	<u>1,783,265</u>

57. CONTINGENCIES

As at 30 June 2018 and 31 December 2017, the contingent liabilities due to pending litigations amounted to RMB15,967 thousand and RMB42,415 thousand, respectively.

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58. SHARE-BASED PAYMENTS OF A SUBSIDIARY

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the “Share Option Scheme”) and a share award scheme (the “Share Award Scheme”) for the purpose of motivating and rewarding staff who contributed to GJIHL’s operations. During the six months ended 30 June 2018, the total equity-settled share-based compensation expense of RMB23,968 thousand was recognized in profit or loss (six months ended 30 June 2017: RMB31,761 thousand).

59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Major shareholders include shareholders with shareholdings of 5% or above of the Company.

Share percentages in the Company:

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
Shanghai State-owned Assets Operation Co., Ltd (“Shanghai SA”)	21.82%	21.82%
Shanghai International Group Co., Ltd (“SIG”)	7.83%	7.83%
Shenzhen Investment Holding Co., Ltd (“SIHC”)	6.99%	6.99%

(2) Associates and joint ventures of the Company

The detailed information of the Company’s associates and joint ventures is set out in note 25.

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59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) Relationship of related parties *(continued)*

(3) Other related parties of the Group

Name of the related parties	Relationship of the related parties
Shanghai Rural Commercial Bank ("SRCB")	The director of the Company acts as a director of the entity
Zheng Tong Co., Ltd. ("Zhengtong")	The senior management of the Company acts as a director of the entity
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank")	The director of the Company acts as a director of the entity
Anhui Huamao Endi Aishi Fashion Co., Ltd. ("Anhui Huamao")	The supervisor of the Company acts as a director of the entity
China Minsheng Investment Group ("CMIG")	The director of the Company acts as a senior management of the entity
China Minsheng Financial Holding Co., Ltd. ("CM Financial")	The director of the Company acts as the chairman of the entity
Great Wall Securities Co., Ltd. ("GW Securities")	The supervisor of the Company acts as the vice chairman of the entity
Shenzhen Energy Group Co., Ltd. ("Shenzhen Energy")	The supervisor of the Company acts as a senior management of the entity
Yangtze River Economic United Development (Group) Co., Ltd. ("YUDC")	The director of the Company acts as the vice chairman of the entity
Guosen Securities Co., Ltd. ("Guosen Securities")	The director of the Company acts as a director of the entity
Shanghai International Group Co., Ltd (Hong Kong) ("SIG (HK)")	Subsidiary of SIG
Guotai Junan Leasing (Shanghai) Co., Ltd. ("Guotai Junan Leasing")	The Shanghai SA holds more than 30% equity interests of the entity's parent company
Shanghai Huarui Bank Co., Ltd. ("Huarui Bank")	The director of the Company acted as the chairman of the entity
Tullett Prebon SITICO (China) Ltd. ("TP SITICO")	The entity used to be under the control of SIG
Ping An Insurance (Group) Company of China, Ltd. ("Ping An Insurance")	The demission director of the Company acted as a director of the entity
Shenzhen Special Economic Zone Construction and Development Co., Ltd. ("SSEZ")	The demission director of the Company acted as the director and senior management of the entity
Shanghai International Trust Co., Ltd. ("Shanghai Trust")	The entity used to be under the control of SIG
China International Fund Management Co., Ltd. ("CIFM")	The entity used to be under the control of SIG

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59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Company and its subsidiaries

(1) Fee and commission income from related parties

Name of related parties	Description of transactions	Six months ended 30 June	
		2018 <i>(Unaudited)</i>	2017 <i>(Unaudited)</i>
Shanghai Guotai Junan Assets Management Co., Ltd ("GTJA Assets management")	Agency sale of financial products	364,939	309,509
GTJA Futures	Introducing brokerage	54,750	43,856
Guotai Junan Financial Holdings Limited	Securities brokerage	—	1,123

(2) Dividend income from related parties

Name of related parties	Description of transactions	Six months ended 30 June	
		2018 <i>(Unaudited)</i>	2017 <i>(Unaudited)</i>
GTJA Allianz	Dividend income	—	51,000
GTJA Innovation Investment Co., Ltd.	Dividend income	200,000	—

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59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Transactions between the Group and other related parties

(1) Fee and commission income from related parties

Name of related parties	Description of transactions	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
Shanghai SA	Securities brokerage	302	—
SIG (HK)	Securities brokerage	235	1,377
Shenzhen Energy	Securities brokerage	1,537	—
Shanghai Trust	Securities brokerage	N/A	76
Hua An Fund	Trading seats lending	2,308	5,255
CIFM	Trading seats lending	N/A	2,673
SPD BANK	Underwriting	—	143
CMIG	Underwriting	3,538	2,025
SSEZ	Underwriting	755	—
SPD BANK	Assets management	12,873	13,784
YUDC	Assets management	298	298
Shanghai SA	Assets management	240	298
SRCB	Assets management	108	400
Ping An Insurance	Assets management	N/A	2,085
SIHC	Financial advisory	254	708
CM Financial	Financial advisory	581	—

(2) Fee and commission expense to related parties

Name of related parties	Description of transactions	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
SPD BANK	Third-party funds depository business	668	—
TP SITICO	Currency brokerage	N/A	873
Zhengtong	Third-party enquiry	400	600

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59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Transactions between the Group and other related parties *(continued)*

(3) Interest received from related parties

Name of related parties	Description of transactions	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
SPD BANK	Financial assets held under resale agreements	12,923	—
GW Securities	Financial assets held under resale agreements	288	189
Huarui Bank	Financial assets held under resale agreements	—	756
Guosen Securities	Financial assets held under resale agreements	768	—
SPD BANK	Deposits in financial institutions	43,794	115,450

(4) Interest paid to related parties

Name of related parties	Description of transactions	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
SRCB	Financial assets sold under repurchase agreements	3,887	4,681
SPD BANK	Financial assets sold under repurchase agreements	686	64
Hua An Fund	Financial assets sold under repurchase agreements	43	224
SPD BANK	Placements from other financial institutions	148	2,540
SPD BANK	Bonds	8,926	9,732
Guosen Securities	Bonds	779	779

(5) Operating expenses and costs paid to related parties

Name of related parties	Description of transactions	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
SPD BANK	Sales of financial products	1,144	190
SPD BANK	Advisory fee	130	—

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59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(d) Balances of related party transactions between the Company and its subsidiaries

(1) Receivables from or payables to the subsidiaries

Name of related parties	Description of transactions	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
GTJA Assets Management	Accounts receivable	367,499	1,341,643
Guoxiang Properties	Other non-current assets	1,018,587	892,109
GTJA Futures	Accounts receivable	58,035	142,803
Guotai Junan Zhengyu Investment Co., Ltd	Accounts receivable	735	N/A

(e) Balances of related party transactions between the Group and its related parties

(1) Deposits with related parties

Name of related parties	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
SPD BANK	3,280,609	2,951,986
SRCB	2,406	2,517

(2) Accounts receivable

Name of related parties	Description of transactions	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Hua An Fund	Trading seats lending	15,427	7,650
CM Financial	Management and Remuneration	1,010	114

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59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(e) Balances of related party transactions between the Group and its related parties *(continued)*

(3) Financial assets held under resale agreements

Name of related party	As at	As at
	30 June	31 December
	2018	2017
	<i>(Unaudited)</i>	<i>(Audited)</i>
SPD BANK	783,180	—
Guosen Securities	249,960	—
SRCB	100,000	—
GW Securities	98,234	—

(4) Other current assets

Name of related party	Description of transactions	As at	As at
		30 June	31 December
		2018	2017
		<i>(Unaudited)</i>	<i>(Audited)</i>
SPD BANK	Interest receivable	3,796	—
Guosen Securities	Interest receivable	748	—
SRCB	Interest receivable	125	—
GW Securities	Interest receivable	53	—

(5) Accounts payable

Name of related party	Description of transactions	As at	As at 31
		30 June	December
		2018	2017
		<i>(Unaudited)</i>	<i>(Audited)</i>
SPD BANK	Third-party funds depository business	217	556

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59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(e) Balances of related party transactions between the Group and its related parties *(continued)*

(6) Bonds payable to related parties

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Name of related party		
SPD BANK	500,000	500,000
Guosen Securities	50,000	50,000

(7) Financial assets sold under repurchase agreements

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Name of related party		
SRCB	9,850	—

(8) Other current liabilities

		As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Name of related party	Description of transactions		
SPD BANK	Interest payable	10,997	2,071
Guosen Securities	Interest payable	1,385	606

(9) Related parties' funds, assets management plans and trusts held by the Group

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Name of related party		
Hua An Fund	30,977	—

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59. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(e) Balances of related party transactions between the Group and its related parties *(continued)*

(10) The Group's assets management plans or funds held by related parties

Name of related parties	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Anhui Huamao	—	7,471
Guotai Junan Leasing	1,916	5,523
Shanghai SA	351,994	—

(f) Remuneration of key management personnel

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

	Six months ended 30 June	
	2018 <i>(Unaudited)</i>	2017 <i>(Unaudited)</i>
Salaries, allowances and benefits	4,704	4,695
Pension scheme contributions and other social welfare	455	420
Discretionary bonus	5,531	4,836
Total	10,690	9,951

60. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

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60. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

30 June 2018 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
through profit or loss				
At fair value through profit or loss				
– Debt securities	2,573,506	59,231,806	146,177	61,951,489
– Funds	12,808,270	12,387,558	5,021,553	30,217,381
– Equity securities	9,299,462	1,124,576	900,455	11,324,493
– Other investments	3,974,744	8,516,482	104,785	12,596,011
Debt instruments at fair value				
through other				
comprehensive income				
– Debt securities	1,475,946	24,277,427	—	25,753,373
Equity Instrument at fair value				
through other				
comprehensive income				
– Equity securities	6,684,019	106,696	673,579	7,464,294
– CSFC investment	—	13,496,712	—	13,496,712
Derivative financial assets	131,668	58,147	124,529	314,344
Total	36,947,615	119,199,404	6,971,078	163,118,097
Financial liabilities at fair value				
through profit or loss				
At fair value through profit or loss				
– Debt securities	51	7,156,503	—	7,156,554
– Others	2,480,335	—	—	2,480,335
Designated as at fair value				
through profit or loss				
– Debt securities	—	15,083,829	4,437,668	19,521,497
– Others	—	1,173,619	—	1,173,619
Derivative financial liabilities	9,859	83,863	90,995	184,717
Total	2,490,245	23,497,814	4,528,663	30,516,722

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60. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

31 December 2017 (Audited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
through profit or loss				
Held for trading				
– Equity securities	7,665,454	459,911	—	8,125,365
– Funds	11,734,506	7,001,480	—	18,735,986
– Debt securities	3,005,563	37,769,950	—	40,775,513
– Other investments	1,555,641	1,238,944	—	2,794,585
Designated as at fair value				
through profit or loss				
– Equity securities	418,500	—	166,056	584,556
– Funds	—	5,933,919	1,353,431	7,287,350
– Debt securities	—	19,245,246	—	19,245,246
– Other investments	—	953,514	—	953,514
Available-for-sale financial assets				
– Equity securities	4,899,185	404,731	41,800	5,345,716
– Funds	639,178	—	—	639,178
– Debt securities	2,041,583	10,192,092	—	12,233,675
– Other investments	1,423,186	18,337,536	146,412	19,907,134
Derivative financial assets	85,179	98,708	131,346	315,233
Total	<u>33,467,975</u>	<u>101,636,031</u>	<u>1,839,045</u>	<u>136,943,051</u>
Financial liabilities at fair value				
through profit or loss				
Held for trading				
– Debt securities	1,217	2,739,409	—	2,740,626
– Others	2,460,958	—	—	2,460,958
Designated as at fair value				
through profit or loss				
– Debt securities	—	17,476,700	1,388,323	18,865,023
– Others	—	400,784	—	400,784
Derivative financial liabilities	37,126	66,669	299,033	402,828
Total	<u>2,499,301</u>	<u>20,683,562</u>	<u>1,687,356</u>	<u>24,870,219</u>

During the period/year mentioned above, there were no significant transfers of fair value measurements between Level 1 and Level 2.

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60. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the period/year, the Group held no changes on the valuation techniques for level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis and the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, and liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

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60. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(3) Movements in Level 3 financial instruments measured at fair value:

As at 30 June 2018						
	Equity instruments at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative liabilities
As at 31 December 2017	—	1,519,487	188,212	131,346	(1,388,323)	(299,033)
Impact of adopting IFRS 9	676,045	1,351,488	(188,212)	—	—	—
As at 1 January 2018	676,045	2,870,975	—	131,346	(1,388,323)	(299,033)
Gains/(losses) for the period	—	180,922	—	(3,683)	7,354	32,992
Changes in fair value recognized in other comprehensive income	(93,204)	—	—	—	—	—
Purchases	—	3,039,784	—	75,230	—	—
Issues	—	—	—	—	(3,056,699)	(167,235)
Transfer in	158,935	323,000	—	—	—	—
Transfer out	(68,197)	(102,943)	—	—	—	—
Disposal and settlements	—	(138,768)	—	(78,364)	—	342,281
As at 30 June 2018	673,579	6,172,970	—	124,529	(4,437,668)	(90,995)

Section X Interim Condensed Consolidated Financial Statements

60. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(3) Movements in Level 3 financial instruments measured at fair value: *(continued)*

	Year ended 31 December 2017				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative liabilities
As at 1 January 2017	1,197,929	1,951,118	—	(1,048,648)	—
Gains/(losses) for the year	140,632	463,698	1,191	(144,064)	8,574
Changes in fair value recognized in other comprehensive income	—	(431,984)	—	—	—
Purchases	292,403	360,000	133,484	—	—
Issues	—	—	—	(195,611)	(438,332)
Disposal and settlements	(111,477)	(1,982,620)	(3,329)	—	130,725
Transfer out	—	(172,000)	—	—	—
As at 31 December 2017	<u>1,519,487</u>	<u>188,212</u>	<u>131,346</u>	<u>(1,388,323)</u>	<u>(299,033)</u>

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measured within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

Financial assets/ liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity investment with disposal restriction in a specific period	Level 3	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Stocks/Unlisted equity Investments	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Stocks/Unlisted equity Investments	Level 3	Recent transaction price	N/A	N/A
Unlisted funds	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value

Section X Interim Condensed Consolidated Financial Statements

60. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(4) Important unobservable input value in fair value measurement of Level 3 *(continued)*

Financial assets/ liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Unlisted funds	Level 3	Recent transaction price	N/A	N/A
Debt Securities/ Other investments	Level 3	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Derivative assets	Level 3	Option pricing model	Volatility	The higher the volatility, the higher the fair value
Financial liabilities	Level 3	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities	Level 3	Recent transaction price	N/A	N/A
Derivative liabilities	Level 3	Option pricing model	Volatility	The higher the volatility, the higher the fair value

The fair value of the financial instruments in level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

(5) Financial assets and liabilities not measured at fair value

As at 30 June 2018 and 31 December 2017, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximate to their fair values, except for bonds payable, whose carrying amounts and fair values are summarized below:

	As at 30 June 2018 <i>(Unaudited)</i>	As at 31 December 2017 <i>(Audited)</i>
Bonds payable		
Carrying amounts	75,831,784	68,312,091
Fair values		
– Level 1	7,102,900	7,341,152
– Level 2	68,220,644	60,654,792
– Level 3	904,676	846,857
Total	76,228,220	68,842,801

Section X Interim Condensed Consolidated Financial Statements

61. EVENTS AFTER THE REPORTING PERIOD

Other than those already disclosed elsewhere in the interim condensed consolidated financial statements, significant event after the reporting period included the following event:

(1) Issuance of corporate bonds

On 16 July 2018, the Company completed the public issuance of corporate bonds, including 18 GUOJUN G3 and 18 GUOJUN G4. The principal values of 18 GUOJUN G3 and 18 GUOJUN G4 are RMB4.7 billion and RMB300 million, and the coupon rates are 4.44% and 4.64%, respectively.

On 17 August 2018, Shanghai Securities completed the non-public issuance of short term corporate bonds 18 Shanghai Securities D1. The principal value is RMB500 million, and the coupon rate is 4.25%.

62. COMPARATIVE AMOUNTS

The accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

63. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 24 August 2018.

Section XI Documents Available for Inspection

Documents available for inspection

- I. Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting department of the Company.
- II. Original copies of all documents and announcements disclosed on the websites designated by the CSRC during the Reporting Period.
- III. Other relevant materials.

Chairman: Yang Dehong

Approved by the board of directors for the submission on 24 August 2018

Section XII Information Disclosure of Securities Company

I. RELEVANT INFORMATION ABOUT SIGNIFICANT ADMINISTRATIVE PERMISSIONS FOR THE COMPANY

√ Applicable □ Not applicable

(1) Administrative Permissions of the Company

No.	Date of approval	Headings of approval	No. of approval
1	16 January 2018	Notice on Matters regarding Participation in the RMB Interest Rate Swap Clearing Agency Business	2018 Bian Han No. 8
2	18 January 2018	No Objection Letter to Guotai Junan Securities Co., Ltd. in relation to the Listing and Transfer of Non-public Issuance of Corporate Bonds	Shang Zheng Han [2018] No. 93
3	25 January 2018	Notice on Matters regarding Participation in the Centralized Clearing Business of Credit Default Swap	2018 Bian Han No. 29
4	7 February 2018	No Objection Letter to Guotai Junan Securities Co., Ltd. in relation to the Listing and Transfer of Non-public Issuance of Subordinated Bonds	Shang Zheng Han [2018] No. 165
5	8 February 2018	Reply of Approval on the Change of Important Articles of the Articles of Association of Guotai Junan Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2018] No.10
6	11 February 2018	Reply of Approval on Public Issuance of Corporate Bonds to Qualified Investors by Guotai Junan Securities Co., Ltd.	Zheng Jian Xu Ke [2018] No.329
7	28 May 2018	Reply of Approval of the Qualification of Feng Xiaodong as Supervisor of Securities Company	Hu Zheng Jian Xu Ke [2018] No.43
8	28 May 2018	Reply of Approval of the Qualification of Lin Facheng as Director of Securities Company	Hu Zheng Jian Xu Ke [2018] No.44
9	6 June 2018	Reply of Approval of the Qualification of Zhou Hao as Director of Securities Company	Hu Zheng Jian Xu Ke [2018] No.46
10	12 June 2018	Reply of Approval of the Establishment of Eight Securities Branches by Guotai Junan Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2018] No.48

Section XII Information Disclosure of Securities Company

(2) Administrative Permissions of the Major Controlled Subsidiaries

No.	Name of the subsidiary	Date of approval	Headings of approval	No. of approval
1	Shanghai Securities and its subsidiaries	11 January 2018	Shanghai Supervision Bureau of CSRC's Reply of Approval of the Qualification of Li Guozhu as Senior Management of Securities Company	Hu Zheng Jian Xu Ke [2018] No.1
		11 January 2018	Shanghai Supervision Bureau of CSRC's Reply of Approval of the Qualification of Ma Yonggang as Senior Management of Securities Company	Hu Zheng Jian Xu Ke [2018] No. 2
		18 January 2018	Shanghai Supervision Bureau of CSRC's No Objection Letter to Shanghai Securities Co., Ltd. in relation to the Appointment of Ma Yonggang as Compliance Officer	Hu Zheng Jian Ji Gou Zi [2018] No.13
		18 January 2018	Shanghai Supervision Bureau of CSRC's Reply of Approval of the Establishment of One Branch by Shanghai Securities Co., Ltd.	Hu Zheng Jian Xu Ke [2018] No.4
		9 April 2018	Shanghai Supervision Bureau of CSRC's Reply of Approval of the Qualification of Lv Jinxin as Director of Securities Company	Hu Zheng Jian Xu Ke [2018] No.34

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

☒ Applicable ☐ Not applicable

The Company's classified evaluation result in 2018: Class A Grade AA