



海通证券股份有限公司
HAITONG SECURITIES CO., LTD.*

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

Stock Code: 6837

2016
Interim Report

*For identification purpose only

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IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company represent and warrant that the contents of this interim report (this "Report") are true, accurate and complete, and do not contain any false records, misleading statements or material omission and severally and jointly take full responsibility as to the contents herein.

This Report was passed at the eighteenth meeting of the sixth session of the Board and the tenth meeting of the sixth session of the Supervisory Committee. Directors, Ms. Zhang Xinmei and Mr. Shen Tiedong, were unable to attend the Board meeting in person due to business travel and had appointed Directors, Ms. Yu Liping and Mr. Qu Qiuping, to vote on their behalves. None of the Directors or Supervisors has any objection to this Report.

The 2016 interim financial report of the Company was prepared in accordance with the IFRS and was reviewed by Deloitte Touche Tohmatsu. All the financial data in this Report were presented in RMB unless otherwise indicated.

Mr. Wang Kaiguo, Chairman of the Company, Mr. Li Chuqian, Chief Financial Officer, and Mr. Ma Zhong, who is responsible for the accounting affairs, declare that they represent and warrant the truthfulness, accuracy and completeness of the financial report contained in this Report.

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2016.

Forward-looking statements included in this Report, including future plans and development strategies, do not constitute commitment of the Company to investors. Investors should be reminded of the risks of investment.

No appropriation of funds on a non-operating basis by the Company's controlling shareholders, if any, or their respective related parties has occurred.

The Company did not provide external guarantees which were in violation of stipulated decision-making procedures.

Section I DEFINITION

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

Definition of the frequently used terms

A Share(s)	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
Articles of Association or Articles	the articles of association of Haitong Securities
Board	the board of directors of Haitong Securities
China or PRC	the People's Republic of China excluding, for the purpose of this Report, Hong Kong, the Special Administrative Region of Macau and Taiwan
Code	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
Company or Haitong Securities	Haitong Securities Co., Ltd
CSRC	the China Securities Regulatory Commission
Director(s)	the director(s) of Haitong Securities
EUR or euro	the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended
Fullgoal Fund	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)
Group	the Company and its subsidiaries
H share(s)	ordinary shares in the share capital of Haitong Securities with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in HK dollars
Haitong Bank	Haitong Bank, S.A.
Haitong Capital	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)
Haitong Futures	Haitong Futures Co., Ltd. (海通期貨股份有限公司)

Section I DEFINITION

Haitong Innovation Securities	Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司)
Haitong International Holdings	Haitong International Holdings Limited (海通國際控股有限公司)
Haitong International Securities	Haitong International Securities Group Limited (海通國際證券集團有限公司), a company listed on the Hong Kong Stock Exchange under the stock code of 665
Haitong UniTrust Leasing	Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司)
Haitong UT	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)
Haitong Xinchuang	Haitong Xinchuang Investment Management Co., Ltd. (海通新創投資管理有限公司)
Haitong-Fortis PE	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)
HFT Investment	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)
HK\$, HKD or HK dollars	the lawful currency of Hong Kong
Hong Kong	the Special Administrative Region of Hong Kong of the PRC
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
HT Asset Management	Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司)
IFRS	the International Financial Reporting Standards

Section I DEFINITION

IPO	initial public offering
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
NSSF	the National Council for Social Security Fund of the PRC
PRC GAAP	generally accepted accounting principles in the PRC
QFII	Qualified Foreign Institutional Investor
Reporting Period	from 1 January 2016 to 30 June 2016
RMB or Renminbi	the lawful currency of the PRC
RQFII	Renminbi Qualified Foreign Institutional Investor
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
SSE	the Shanghai Stock Exchange
Supervisor(s)	the supervisor(s) of Haitong Securities
Supervisory Committee	the supervisory committee of Haitong Securities
SZSE	the Shenzhen Stock Exchange
US\$, USD or U.S. dollars	the lawful currency of the United States of America

Section II COMPANY PROFILE

I. CORPORATE INFORMATION

Chinese name of the Company	海通證券股份有限公司
Chinese abbreviation of the Company	海通證券
English name of the Company	Haitong Securities Co., Ltd.
English abbreviation of the Company	Haitong Securities
Legal representative of the Company	Wang Kaiguo
General manager of the Company	Qu Qiuping
Authorized representatives of the Company	Wang Kaiguo, Huang Zhenghong
Joint company secretaries	Huang Zhenghong, Wong Wai Ling

Registered Capital and Net Capital

	As at the end of this Reporting Period	As at the end of last year
Registered capital	11,501,700,000.00	11,501,700,000.00
Net capital	77,271,950,670.24	85,521,155,141.81

Each individual business qualification of the Company

1. Online securities entrustment business qualification (Zheng Jian Xin Xi Zi [2001] No. 3)
2. Qualification for lending and purchase of bonds, bond transactions and bond repurchase business in the national inter-bank lending market and the bond market (Yin Ban Han [2001] No. 819)
3. Qualification for lending transactions and bond transactions in the national inter-bank lending center (Zhong Hui Jiao Fa [2001] No. 306)
4. Qualification for acquisition of securities business departments (Hu Zheng Ji Bian [2002] No. 090)
5. Open-end securities investment fund consignment business qualification (Zheng Jian Ji Jin [2002] No. 076)
6. Qualification for foreign exchange operation in the securities business (SC201014)
7. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han [2005] No. 079)
8. Qualification for short-term commercial paper underwriting business (Yin Fa [2005] No. 173)
9. Qualification for quotation transfer business (Zhong Zheng Xie Han [2006] No. 3)
10. Trader Qualification for Shanghai Stock Exchange Fixed Income Securities Consolidated Electric Trading Platform (Shang Zheng Hui Han [2007] No. 86)
11. Qualification for Association of PRC Inter-bank Market Trader (August 2007)
12. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
13. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
14. Qualification for provision of intermediary introduction business for the futures companies (Zheng Jian Xu Ke [2008] No. 479, Hu Zheng Jian Ji Gou Zi [2010] No. 122)
15. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
16. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
17. Qualification of Providing Trading Units for Insurance Agency Investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
18. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)

Section II COMPANY PROFILE

19. Qualification of Engaging of Stock Index Futures Hedging Business through Proprietary Trading of the Company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
20. Qualification for Securities House Assigned by NSSF (August 2011)
21. Qualification for Fund Evaluation Business (Zhong Zheng Xie Fa [2010] No. 070)
22. Qualification of Engaging of Stock Index Futures through Asset Management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
23. Stock repo transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi [2011] No. 37)
24. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821)
25. Trial business of bond collateralized repo with quotes (Ji Gou Bu Bu Han [2011] No. 585)
26. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
27. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
28. Pilot Qualification of Engaging of Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 113)
29. Pilot Qualification of Underwriting of Private Debts for SMEs (Zhong Zheng Xie Han [2012] No. 561)
30. Qualification for foreign exchange operation in the securities business (SC201307)
31. Qualification for issuance of short-term financing bonds (Ji Gou Bu Bu Han [2013] No. 407, Department of Fund and Intermediary Supervision Han [2014] No. 1551)
32. Qualification for Distribution of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No. 180)
33. Pilot qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
34. Qualification for recording military confidential business consultancy services in a secured and confidential condition (certificate number: 00132029)
35. Qualification of the 11th batch of insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No. 204)
36. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
37. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)
38. Qualification for agency business of securities pledge registration
39. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
40. Membership qualification on the Gold Exchange (Certificate No. T004)
41. Pilot Issuance of Short-term Corporate Bonds by Securities Companies (Shang Zheng Duan Zhai [2014] No. 4)
42. Business Pilot of Financing-oriented Option Exercise with respect to Share Incentive Schemes of Listed Companies (Shenzhen Han [2014] No. 321)
43. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
44. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)
45. Business Qualification for Options Settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
46. Futures Membership Certificate (certificate number: No. G02008)
47. Qualification for Offshore Proprietary Business (Ji Gou Bu Han [2015] No. 1204)
48. No Comment Letter on Innovative Program of One-way Video Account Opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)
49. Qualification for Inter-bank Gold Price Asking Transactions (Shang Jin Jiao Fa [2015] No. 120)
50. Permission for Printing Publication of Internal Information (Hu Xin Chu Bao [2015] No. 115)

Section II COMPANY PROFILE

51. Membership of Association of Shanghai Internet Financial Industry (vice president unit)
52. Training Management System Validation Credential (No. CQC16T10005R0M/3100)
53. The Shanghai Pilot Free Trade Zone Branch of the Company becomes a Class-A international member of Shanghai Gold Exchange (Shanghai International Gold Exchange)

The Company holds membership qualification on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and warrant clearing business qualification in China Securities Depository and Clearing Corporation Limited. All subsidiaries of the Company conduct their operation legally or upon obtaining the relevant business qualifications as approved by the relevant regulatory departments.

II. CONTACT PERSONS AND CONTACT METHODS

Name	Secretary to the Board Huang Zhenghong	Representative of Securities Affairs Sun Tao
Correspondence address	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)
Tel	8621-23219000	8621-23219000
Fax	8621-63410627	8621-63410627
E-mail	huangzh@htsec.com	sunt@htsec.com

III. CORPORATE INFORMATION

Registered address	Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
Postal code of registered address	200001
Business address	Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
Postal code of business address	200001
Internet website	http://www.htsec.com
E-mail	haitong@htsec.com
Search index for changes in registration during the Reporting Period	http://www.sse.com.cn
Principal place of business in Hong Kong	21st Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong

Section II COMPANY PROFILE

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times
Website designated by CSRC for publication of interim reports	http://www.sse.com.cn
Website designated by Hong Kong Stock Exchange for publication of interim reports	http://www.hkexnews.hk
Place where interim reports of the Company are available	Office of the Board, 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC

V. INFORMATION ON THE COMPANY'S SHARES

Type of shares	Places of listing	Stock name	Stock code	Stock name before changes
A Share	Shanghai Stock Exchange	Haitong Securities	600837	/
H Share	Hong Kong Stock Exchange	Haitong Securities	6837	/

VI. CHANGES IN REGISTRATION DURING THE REPORTING PERIOD

Date of registration	Unchanged
Place of registration	Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
Registration number of enterprise business license	Unchanged
Tax registration number	Unchanged
Organization code	Unchanged
Search index for changes in registration during the Reporting Period	http://www.sse.com.cn

Explanation of changes after the Reporting Period: the Company completed combination of three licenses (being enterprise business license, organization code certificate and tax registration certificate) into one license. With effect from 16 August 2016, a unified social credit code of 9131000013220921X6 will be used and the original registration number of business license of 310000000016182 is no longer used.

Section II COMPANY PROFILE

VII. OTHER RELEVANT INFORMATION

Accounting firm appointed by the Company (domestic)	Name	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
	Address	4/F, No. 61 Nanjing Road East, Shanghai
Accounting firm appointed by the Company (overseas)	Name	Deloitte Touche Tohmatsu
	Address	35/F, One Pacific Place, No. 88 Queensway, Hong Kong
Chief Risk Executive and General Compliance Officer		Wang Jianye
Legal Advisor to the Company, as to PRC law		Grandall Law Firm (Shanghai)
Legal Advisor to the Company, as to Hong Kong law		Clifford Chance
A Share Registrar		Shanghai Branch of China Securities Depository and Clearing Corporation Limited
H Share Registrar		Computershare Hong Kong Investor Services Limited

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(All of the accounting data and financial indicators set out in this Report are prepared in accordance with IFRS unless otherwise indicated)

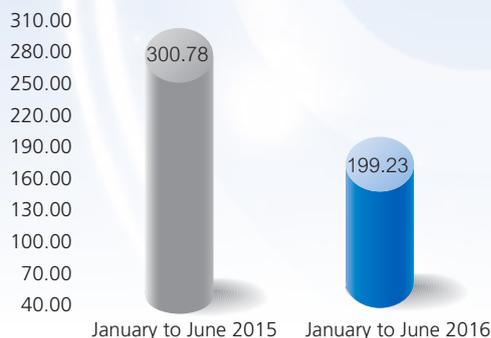
(1) Major accounting data and financial indicators

Items	January to June 2016	January to June 2015	As compared with the last corresponding period
Operating results (RMB'000)			<i>Increase</i>
Revenue and other income	19,922,694	30,077,568	-33.76%
Profit before income tax	5,494,816	13,952,861	-60.62%
Profit for the period – attributable to owners of the Company	4,264,300	10,154,714	-58.01%
Net cash used in operating activities	-14,127,751	-48,574,390	-
Earnings per share (RMB/share)			<i>Increase</i>
Basic earnings per share	0.37	1.03	-64.08%
Diluted earnings per share	0.37	1.02	-63.73%
Index of profitability			<i>Changes</i>
Weighted average returns on net assets (%)	3.91	12.97	-9.06 percentage points
Items	30 June 2016	31 December 2015	As compared with the end of last year
Indices of size (RMB'000)			<i>Increase</i>
Total assets	542,331,929	576,448,892	-5.92%
Total liabilities	426,383,429	459,521,221	-7.21%
Accounts payable to brokerage clients	110,309,039	129,026,336	-14.51%
Equity attributable to owners of the Company	105,086,847	107,694,545	-2.42%
Total share capital ('000)	11,501,700	11,501,700	0.00%
Net assets per share attributable to owners of the Company (RMB/share)	9.14	9.36	<i>Changes</i> -2.35%
Gearing ratio (%)⁽¹⁾	73.16	73.87	-0.71 percentage points

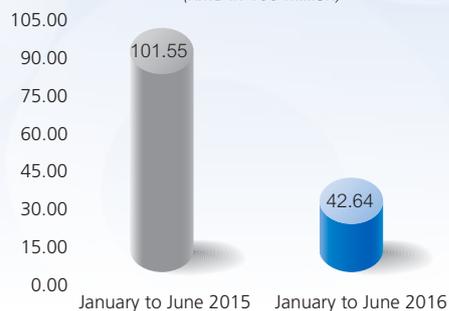
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

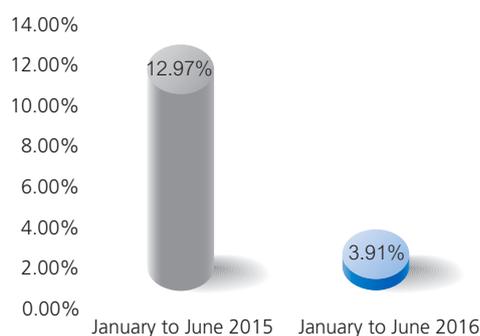
Revenue and other income (RMB in 100 million)



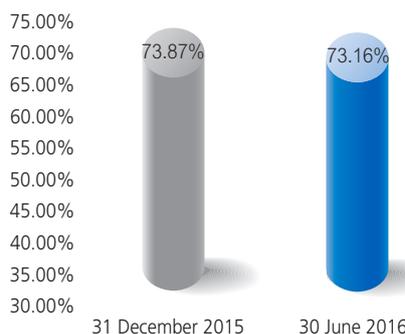
Profit for the period attributable to owners of the Company (RMB in 100 million)



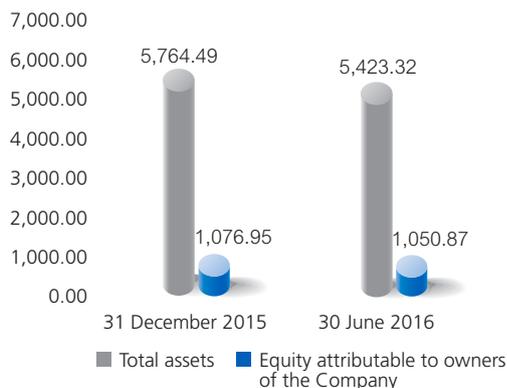
Weighted average returns on net assets



Gearing ratio



Indices of size (RMB in 100 million)



(2) Particulars of major accounting data

In the first half of 2016, the overall securities markets remained weak, SSE Composite Index slumped over 17%, and the trading volume of Shanghai and Shenzhen stock markets decreased significantly as compared with the corresponding period of last year. Subject to such market conditions, the Group's revenue and other income as well as net profit attributable to owners of listed company in the first half of 2016 decreased by 33.76% and 58.01% respectively, as compared with the corresponding period of last year. The Group will promote the business transformation and strengthen the strategic layout in conglomeration and internationalisation, so as to overcome the adverse impact of significant fluctuations in market on the Group's operation.

In the first half of 2016, various businesses remained stable, the asset was in reasonable structure, and with high liquidity and good quality.

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

II. DIFFERENCES OF ACCOUNTING DATA UNDER IFRS AND PRC GAAP

The net profits for the periods from January to June 2016 and from January to June 2015 and the net assets as at 30 June 2016 and 31 December 2015 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those prepared in accordance with IFRS.

III. THE NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

As at 30 June 2016, the net capital of the Company was RMB77,272 million, representing a decrease of RMB8,249 million as compared with the net capital of RMB85,521 million as at the end of the last year. During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Items	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Net capital	77,271,951	85,521,155
Net assets	97,609,606	101,119,681
Net capital/Total of risk reserves	1,209.16%	1,269.37%
Net capital/Net assets	79.16%	84.57%
Net capital/Liabilities	52.00%	44.59%
Net assets/Liabilities	65.69%	52.72%
Proprietary equity securities and securities derivatives/Net capital	51.46%	46.93%
Proprietary fixed income securities/Net capital	53.09%	68.63%

Note: The above data are calculated based on the financial information prepared in accordance with PRC GAAP.

Section IV REPORT OF THE BOARD OF DIRECTORS

1 DISCUSSION AND ANALYSIS OF THE BOARD ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

In the first half of 2016, the Company adhered to a sound operation and its principal businesses maintained their sound development momentum. The Company's strategic planning of conglomeration and internationalisation implemented for years have achieved remarkable results and become an important revenue source of the Company under the background of weak market conditions. In terms of operations in the first half of 2016, number of customers of the Company maintained their rapid growth momentum and contribution of corporate customers and individual customers with high net worth to the Company's revenue is increasing; underwritten amount of enterprise bonds ranked the first in the industry and underwritten amount of bonds ranked among the top four in the industry; asset management size hit a new record; investment business got a sound development, with its investment results higher than comparable standard in general and the Company enhanced exploration and planning of FICC business and continued to broaden its channels of profit; direct investment companies, PE subsidiaries, alternative investment companies, leasing companies and futures companies all maintained their sound development momentum; market position of Haitong International Securities further consolidated, with several of its businesses ranked top among the investment banks based in Hong Kong; establishment of support and security systems advanced side by side; intensity of research business strengthened with a timely and efficient viewpoint, being and was widely recognized by the market and the influence of its research brand was further promoted; further improved overall IT planning and completed formulation of science and technology development plan for 2016-2020; continued to strengthen intensity of talent introduction and cultivation and enhanced the Company's soft power through fostering the corporate culture; and improved authorization management, enhanced risk management system establishment at the group level and management and control of market risk, credit risk and operational risk, thus the comprehensive risk management was stably promoted.

As of the end of June 2016, the total assets of the Group amounted to RMB542.3 billion and the net assets amounted to RMB105.1 billion, ranking the second in the industry. In the first half of 2016, the Group's total revenue and other income amounted to RMB19,923 million and net profit attributable to the parent company amounted to RMB4,264 million; the weighted average return on net assets was 3.91%. In the first half of 2016, major financial indicators of the Group including the net profit ranked top among peers.

Section IV REPORT OF THE BOARD OF DIRECTORS

Statement of the Principal Business of the Group

Unit: RMB'000

Item	Segment income	Segment expense	Segment profit margin	Segment income movement as compared with corresponding period of last year	Segment expense movement as compared with corresponding period of last year	Segment profit margin movement as compared with corresponding period of last year
Securities and futures brokerage business	8,173,445	5,361,736	34.40%	-48.39%	-37.80%	Decreasing by 11.17 percentage points
Asset management business	624,578	423,002	32.27%	-63.65%	-56.71%	Decreasing by 10.86 percentage points
Proprietary trading	3,242,543	2,402,247	25.91%	-40.48%	23.55%	Decreasing by 38.40 percentage points
Investment banking business	899,341	310,568	65.47%	-5.81%	2.78%	Decreasing by 2.88 percentage points
Direct investment business	530,555	43,086	93.64%	91.18%	20.97%	Increasing by 5.43 percentage points
Financing lease business	1,577,054	1,011,598	35.86%	23.08%	11.28%	Increasing by 6.81 percentage points
Overseas business	3,472,290	3,081,217	12.17%	1.59%	100.29%	Decreasing by 43.65 percentage points

Section IV REPORT OF THE BOARD OF DIRECTORS

(1) Analysis on industrial, product or regional operations

1. Each principal business of the Company

➤ *Securities and futures brokerage business*

The Company continued to strengthen expansion of its customers and grab market shares. In the first half year of 2016, the number of newly added costumers of the Company amounted to 990 thousand, and the total number of customers reached 8,560 thousand. The market share of total trading volume of the Company was 6.04%, ranking the third in the industry. The Company strengthened basic management of brokerage business and improved appropriateness management system and corresponding working mechanism to ensure that the customer risk rating conformed to appropriate products, trading and services, and continued to raise customers' awareness of risks through forms including public investment classes and establishment of investment education base. It promoted transformation of branches, and made operation system process fully in order according to principle of "compliance, simplicity and efficiency", thereby significantly improving business efficiency, and further promoting customer management and service level.

With active promotion of stock pledge and financing business, the monthly average of balance in financing business for the first half year of 2016 amounted to RMB109.5 billion, ranking the first in the industry. The income from interest and fees in financing business has become a significant source of the revenue and profit of the Company.

The Company strengthened its expansion of corporation and high net worth clients with financing service as its target and increased the customers' loyalty to the Company through the comprehensive financial services such as provision of investment banking, block trading, custodian of product, and financing-oriented option exercise. The Company continuously optimized its customer structure, making the contribution of corporation and high net worth clients increased constantly.

The Company enhanced the comprehensive service for financial institutional clients, further exerted its professional advantages and developed an integrated financial service platform with PB business as breakthrough. As of the end of June 2016, the Company's PB business scale reached RMB113.6 billion, representing an increase of 33% as compared with the end of last year. The Company steadily ranked the top in the industry in terms of the aggregate number of customers of QFII/RQFII and the market share of trading volume.

The Company's futures business maintained rapid growth trend. The market share of agency trading amounts was 7.67%, representing an increase of 1.77 percentage points as compared with last year. Among which, with a market share of 10.8% and 8.63% in Shanghai Futures Exchange and China Financial Futures Exchange, respectively, the position of the Company's futures business in the market has been further consolidated.

In the first half of 2016, the securities and futures brokerage business achieved a total profit of RMB2,812 million, accounting for 51.2%.

Section IV REPORT OF THE BOARD OF DIRECTORS

➤ *Investment banking business*

By reinforcing the investment banking team construction and putting more efforts in business expansion, the Company has achieved a superior performance. The debt financing business completed the issuance of 81 bonds in total, with an underwritten amount of RMB112.5 billion, ranking the fourth in the industry, among which, it ranked the first in the industry with respect to underwritten amount of enterprise bonds. The Company's innovation in bonds issuance maintained a leading position in the industry, and stood the first in terms of underwritten amount of green bonds. It completed the first project collective bond "Hengjian Project Collective Bond", the first green enterprise bond "BAIC Motor Green Bond" and the first green financial enterprise bond "SPD Bank Financial Bond for 2015" in the PRC. The equity financing business completed seven companies' refinancing issuance in total with an underwritten amount of RMB25.5 billion. The M&A financing business completed nine projects in relation to material asset restructuring with a total transaction amount of RMB47.8 billion. The NEEQ business completed 33 listing projects with 19.7% of the listed companies entering into the innovation level, making the Company ranking the first in the industry. The Company completed 33 projects in relation to private placing for NEEQ listed companies, with a total private placing amount of RMB2.86 billion and a market share of 3.8%, making the Company ranking among the top ten in the industry. As of the end of June 2016, the Company provides market maker services for 180 stocks with a market share exceeding 5%.

In the first half of 2016, investment banking business achieved a total profit of RMB589 million, accounting for 10.7%.

➤ *Proprietary trading*

The Company adhered to promoting the transformation of equity proprietary trading and showed its advantages in the weak market. In relation to cyclical investment, the Company reinforced active investment through deep research and band operation, and effectively controlled the drawdown in the systemic decline, resulting in an increase of 7.15 percentage points in yields as compared with Shanghai-Shenzhen CSI 300 Index for the same period.

Faced with the complex and volatile market environment, the Company adjusted its strategy of fixed-income investment in a timely manner and lowered the proportion of cyclical investment, the duration of the investment portfolio and the proportion of debenture. The Company increased the use of arbitrage strategy, enhanced the allocation of alternative investment types and developed new sources of income. The Company further enriched FICC business model and actively carried out the non-cyclical investments, such as the interest rate swap arbitrage, gold trans-market arbitrage, treasury bond futures arbitrage and monetary market arbitrage.

Haitong Innovation Securities continued to develop bridge financing, private placing investment and M&A financing, so as to accelerate its business layout with the risks under control.

In the first half of 2016, proprietary trading achieved a total profit of RMB840 million, accounting for 15.3%.

Section IV REPORT OF THE BOARD OF DIRECTORS

➤ *Asset management business*

HT Asset Management reported total assets under management of RMB601.8 billion, representing an increase of 38% as compared with the end of last year, among which, assets applying active management approach amounted to RMB97.6 billion. The total assets under management of Fullgoal Fund, HFT Investment and alternative assets (including PE) under management amounted to RMB371.7 billion, RMB172.7 billion and RMB16.8 billion, respectively, representing an increase of 8%, 11% and 27%, respectively, as compared with the end of last year. It completed 30 investment projects with an aggregate investment amount of RMB940 million for the first half year of 2016.

In the first half of 2016, asset management business achieved a total profit of RMB202 million, accounting for 3.7%.

➤ *Direct investment business*

Haitong Capital completed 12 investment projects with investment amount of RMB692 million, and actively promoted the application for listing and the listing on NEEQ for investment projects. Currently, it has eight IPO projects pending approval from CSRC and nine listed projects not yet exited.

In the first half of 2016, direct investment business achieved a total profit of RMB497 million, accounting for 9.0%.

➤ *Financing lease business*

Concentrated on the major leasing business, Haitong UT actively and innovatively conducted transformation, provided customers with the comprehensive financial solutions mainly focusing on leasing and accomplished sales of RMB9.89 billion, representing an increase of 40% as compared with corresponding period of last year, with the total assets reaching RMB39.3 billion, representing an increase of 14.9% as compared with the end of last year. It actively developed government projects such as PPP and smart city construction, the retail business such as car and consumer finance experienced a rapid growth and the customer structure has been further optimized. It aggressively expanded its financing channels, made more efforts on direct financing and effectively reduced financing costs. The total amount of various financing for the first half year reached RMB14.0 billion, ensuring sufficient investment in business. It optimized risk management mechanism and maintained the proportion of assets overdue for 180 days at around 1%.

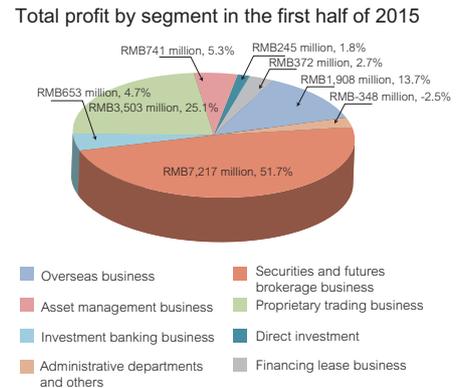
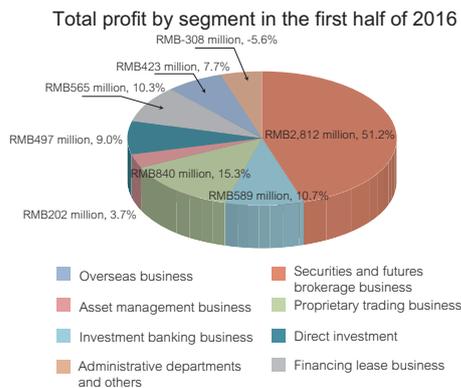
In the first half of 2016, financing lease business achieved a total profit of RMB565 million, accounting for 10.3%.

Section IV REPORT OF THE BOARD OF DIRECTORS

➤ Overseas business

With the steady development of the Company’s overseas business, its market position has been further consolidated and the overseas business was carried forward in a synergic and orderly manner. Haitong International Securities secured its first position among investment banks in Hong Kong in terms of IPO underwriting number and financing amount, ranking the second and third among investment banks in Hong Kong in terms of the number of equity financing projects and financing amount, respectively. It obtained the qualification of warrant issuer and further improved its product lines, becoming one of the investment banks with the most comprehensive product coverage in Hong Kong. Haitong Bank has stepped into integration stage where it actively adjusted its business strategies, optimized assets and liabilities structure, reduced costs and accelerated development of cross-border China related businesses, and has witnessed apparent progress and improved its operation performance month by month. Haitong Bank reserved a batch of cross-border M&A and bond issuance projects. It entered into a cooperation agreement with Warsaw Stock Exchange in Poland, the largest stock exchange in the region of Central and Eastern Europe, laying a foundation for expanding business in this region.

In the first half of 2016, overseas business achieved a total profit of RMB423 million, accounting for 7.7%.



Section IV REPORT OF THE BOARD OF DIRECTORS

2. *Details of principal line items in the consolidated statement of profit or loss*

(1) *Revenue and other income*

In the first half of 2016, the revenue and other income realized by the Group totaled RMB19,923 million, representing a decrease of RMB10,155 million or 33.76% as compared with the same period of last year, which was mainly due to the overall sluggish securities market, plummeting of the SSE Composite Index being over 17% as well as the significant trading volume decrease in the first half of 2016. Under such market environment, the brokerage and proprietary trading businesses of the Company were affected to a certain extent. The revenue from the innovative businesses, such as margin financing and securities lending and stock pledge, accounted for 32% of the Group's total revenue, representing a decrease of 6 percentage points as compared with the same period of last year, of which:

- Commission and fee income amounted to RMB6,220 million, accounting for 31.22% of total revenue and other income and representing a decrease of 45.36% as compared with the corresponding period of last year, mainly due to the sustained sluggish securities market in the first half of 2016. Fee income from brokerage and asset management business recorded a decrease as compared with the corresponding period of last year;
- Interest income amounted to RMB8,526 million, accounting for 42.79% of total revenue and other income and representing a decrease of 5.40% as compared with the corresponding period of last year. Although being affected by adverse market environment, the Group proactively expands its financing business, and improves the market share of stock pledge, margin financing and securities lending and Hong Kong margin financing business, leading to a slight decrease in interest income;
- Net investment gains amounted to RMB2,649 million, accounting for 13.30% of total revenue and other income and representing a decrease of 65.18% as compared with the corresponding period of last year, mainly due to the sluggish securities market in the first half of 2016, leading to a decrease in investment gains;
- Other income and gains amounted to RMB2,528 million, accounting for 12.69% of total revenue and other income and representing an increase of 21.89% as compared with the corresponding period of last year, mainly due to the increase in the sales revenue of the Company's subsidiaries.

Section IV REPORT OF THE BOARD OF DIRECTORS

The composition of the Group's revenue and other income during the Reporting Period is as follows:

Unit: RMB'000

Item	January – June 2016		January – June 2015		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Commission and fee income	6,220,221	31.22%	11,384,597	37.85%	-5,164,376	-45.36%
Interest income	8,525,752	42.79%	9,012,845	29.97%	-487,093	-5.40%
Net investment gains	2,648,726	13.30%	7,606,183	25.29%	-4,957,457	-65.18%
Other income and gains	2,527,995	12.69%	2,073,943	6.89%	454,052	21.89%
Total revenue and other income	19,922,694	100.00%	30,077,568	100.00%	-10,154,874	-33.76%

(2) Total expenses

In the first half of 2016, total expense of the Group amounted to RMB14,560 million, representing a decrease of 10.64% as compared with the corresponding period of last year, which was mainly due to the decrease in staff costs, brokerage transaction fees and other services expenses and other expenses, of which:

- Staff costs amounted to RMB2,984 million, representing a decrease of 21.55% as compared with the last corresponding period, which was mainly due to a decrease in compensation;
- Brokerage transaction fees and other services expenses amounted to RMB710 million, representing a decrease of 55.88% as compared with the last corresponding period, which was mainly due to the corresponding decrease in expenses from brokerage charges arising from the decrease in trading volumes in the first half of 2016;
- Other expenses mainly comprised operating expenditure, business tax and surcharges, as well as impairment loss of assets, etc. Other expenses during the Reporting Period amounted to RMB3,810 million, representing a decrease of 12.44% as compared with the last corresponding period, which was mainly due to the decrease in expenses including business taxes arising from the decrease of the income.

Section IV REPORT OF THE BOARD OF DIRECTORS

The composition of total expenses of the Group in the first half of 2016 are shown as below:

Unit: RMB'000

Total Expenses	January to June 2016	January to June 2015	Increase/Decrease	
			Amount	Percentage
Staff costs	2,984,063	3,803,985	-819,922	-21.55%
Interest expenses	6,505,068	5,801,783	703,285	12.12%
Brokerage transaction fees and other services expenses	710,194	1,609,779	-899,585	-55.88%
Commission to account executives	366,128	584,405	-218,277	-37.35%
Depreciation and amortization	184,289	141,937	42,352	29.84%
Other expenses	3,810,286	4,351,649	-541,363	-12.44%
Total	14,560,028	16,293,538	-1,733,510	-10.64%

3. Public welfare contributions

In the first half of 2016, the Group contributed RMB5,592 thousand in total in public welfare areas like environmental protection, disaster relief donations, education subsidies and charity donations.

Breakdown of public welfare contributions from January to June 2016

Unit: RMB'000

Item	Amount during the period
Charity donations	5,100
Others	492
Total	5,592

Section IV REPORT OF THE BOARD OF DIRECTORS

4. Cash Flows

In the first half of 2016, the Group's cash and cash equivalents recorded a net decrease of RMB4,563 million, in which:

- (1) the net cash used in operating activities was RMB14,128 million, which was mainly due to the effect of cash outflow of RMB18,633 million as a result of the movement in the working capital of the Group. The decrease in the working capital of the Group was mainly attributable to:
 - cash outflow of RMB52,074 million due to decrease in financial assets sold under repurchase agreements;
 - cash inflow of RMB26,465 million due to decrease in financial assets at fair value through profit or loss, etc.;
 - cash outflow of RMB4,099 million due the expansion of business scale of Haitong UT.

The above cash outflows were partially offset by the cash inflow of RMB11,566 million as a result of the decrease in advances to customers on margin financing.

- (2) Net cash used in investing activities was RMB10,280 million, mainly due to the increase in available-for-sale investments and investment of joint ventures and associates.
- (3) Net cash from financing activities was RMB19,844 million mainly from the Group's borrowings and issuance of bonds, etc. with net cash inflow of RMB19,902 million.

Section IV REPORT OF THE BOARD OF DIRECTORS

5. Others

(1) *Details of material changes in the composition or sources of the Company's profits*

During the Reporting Period, there were no material changes in the composition or sources of the Company's profits; therefore, this provision is not applicable.

(2) *Analysis and description of various previous financing and material assets restructuring events of the Company*

According to the resolutions considered and approved at the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 held by the Company on 9 February 2015 and upon approval by CSRC with the Reply of Approving Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No.811), the Company issued overseas listed foreign shares (H Shares) on the Hong Kong Stock Exchange in May 2015. As at 29 May 2015, the Company issued 1,917 million overseas listed foreign shares (H Shares) via private placement at the offering price of HK\$17.18 per share. The aggregate application monies of HK\$32.934 billion have been paid up in Hong Kong dollars in cash, and net proceeds after deduction of issuing and listing fees amounted to HK\$32.747 billion. The proceeds from private placement and interests had been used up.

The Proposal Regarding the Issuance of Corporate Bonds and Proposal Regarding the General Mandate to Issue Corporate Bonds were considered and passed at the sixteenth meeting of the fifth session of the Board on 26 March 2013 and the 2012 annual general meeting of the Company held on 27 May 2013, respectively, pursuant to which the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of corporate bonds at their sole discretion. Upon approval by CSRC with the Zheng Jian Xu Ke [2013] No.1220 document on 25 September 2013, the Company was permitted to issue corporate bonds with a total par value of no more than RMB23.0 billion to the public. The corporate bonds were issued in tranches, and the issue timing, size and other terms of each tranche were determined by the Company based on factors such as market conditions. The issue of the first tranche with a size of RMB12.0 billion was completed on 27 November 2013, of which the issue size of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB7.26 billion, RMB2.35 billion and RMB2.39 billion, respectively. The issue of the second tranche with a size of RMB11.0 billion was completed on 16 July 2014, of which the issue size of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB5.65 billion, RMB4.55 billion and RMB0.8 billion, respectively.

Section IV REPORT OF THE BOARD OF DIRECTORS

The Proposal Regarding the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the sixteenth meeting of the fifth session of the Board on 26 March 2013 and the 2012 annual general meeting of the Company held on 27 May 2013, respectively, pursuant to which the Company was approved to issue other onshore debt financing instruments other than short-term financing bills of securities companies and corporate bonds on a one-off or multiple issuances or multi-tranche issuances basis through public or non-public offerings, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. On 28 October 2014, the Proposal on Issuance of Short-term Corporate Bonds of Securities Companies was considered and approved at the twenty-ninth meeting (extraordinary meeting) of the fifth session of the Board, pursuant to which the chairman and general manager of the Company were appointed to be the authorized persons for issue of short-term corporate bonds of securities companies and authorized to jointly or individually deal with all matters regarding the issuance of short-term corporate bonds of securities companies on behalf of the Company according to the resolutions passed at the general meeting and the authorizations granted by the Board. According to the Circular on Related Matters of Pilot Issue of Short-term Corporate Bonds by Securities Companies (Department of Fund and Intermediary Supervision Bu Han [2014] No.1526) issued by CSRC, the Company was approved to perform the pilot issue of short-term corporate bonds. According to the Notice on Acceptance of Filings of Short-term Corporate Bonds of Securities Companies (Shang Zheng Duan Zhai [2014] No.4, issued on 20 November 2014 and with a validity period of one year) issued by the Shanghai Stock Exchange and received by the Company, the issue size of the short-term corporate bonds of securities companies with which the Company has filed the Shanghai Stock Exchange was RMB20.0 billion. The Company completed the issue of one tranche of short-term corporate bonds with a size of RMB8.0 billion on 13 May 2015, the term of which was one year. As at the end of the Reporting Period, the abovementioned short-term corporate bonds had been repaid.

Section IV REPORT OF THE BOARD OF DIRECTORS

The Proposal Regarding the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the thirty-second meeting (extraordinary meeting) of the fifth session of the Board on 19 December 2014 and the 2015 first extraordinary general meeting and the 2015 first A shareholders'/H shareholders' class meetings of the Company held on 9 February 2015, respectively, pursuant to which the Company was approved to issue other onshore debt financing instruments other than short-term financing bills of securities companies and corporate bonds with an aggregate issue size of no more than 200% of the net asset value of the Company by the end of the preceding period on a one-off or multiple issuances or multi-tranche issuances basis through public or non-public offerings, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. Up to now, the Company has issued two tranches of subordinated bonds with an aggregate size of RMB35.0 billion. The first tranche with an issue size of RMB15.0 billion was issued on 8 April 2015, the term of which was five years and the issuer was entitled to redeem the bonds at the end of the third year. The issue of the second tranche with an issue size of RMB20.0 billion was completed on 12 June 2015, of which type I with an issue size of RMB15.0 billion was for a term of three years and the issuer was entitled to redeem the bonds at the end of the second year; type II with an issue size of RMB5.0 billion was for a term of five years and the issuer was entitled to redeem the bonds at the end of the third year.

In accordance with Supervision Opinion Letter of the Application for the Issuance of Short-term Financing Bills by Haitong Securities Co., Ltd. (Department of Fund and Intermediary Supervision Han [2014] No.1551) issued by the CSRC and the Notice in Relation to the Issuance of Short-term Financing Bills of Haitong Securities Co., Ltd. (Yin Fa [2015] No.77) issued by the People's Bank of China, the Company issued short-term financing bills with a size of RMB2.0 billion in March 2016, the term of which was 90 days. Proceeds raised from this tranche of short-term financing bills were primary used to replenish the demand of the working capital of the Company, and the uses of proceeds were fully in compliance with the requirement of the national laws and regulations and policies and qualified as specified in the Administrative Measures for Short-term Financing Bills of Securities Companies. As at the end of the Reporting Period, this tranche of short-term financing bills had been repaid.

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In accordance with the Corporate Bond Issuance and Trading Administrative Measures (CSRC Order No.113) and No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Corporate Bonds (Shang Zheng Han [2016] No.886), the Company issued non-public corporate bonds with a size of RMB20.0 billion in May 2016, of which type I with an issue size of RMB15.0 billion was for a term of four years and the issuer was entitled to redeem the bonds at the end of the third year; type II with an issue size of RMB5.0 billion was for a term of five years. The proceeds have been fully received and no less than RMB14.0 billion will be used to repay the Company's debts, of which RMB2.0 billion will be used to repay short-term financing bills issued by the Company and the surplus funds will be used to replenish the working capital according to the prospectus. The Company managed the transfer, deposit and use of funds in strict compliance with the national rules and the Company's relevant requirements and all of the capital businesses were in strict compliance with the approval procedures so as to ensure that funds were legally used. As at the end of the Reporting Period, the raised funds had been used up.

Type of stocks and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
Ordinary shares						
H Shares	15 May 2015	HK\$17.18	1,048,141,220 shares	15 May 2015	1,048,141,220 shares	-
H Shares	29 May 2015	HK\$17.18	868,837,600 shares	29 May 2015	868,837,600 shares	-
Convertible corporate bonds, warrant bonds and corporate bonds						
Corporate bonds	25 November 2013	6.05%	RMB7.26 billion	16 December 2013	RMB7.26 billion	23 November 2016
Corporate bonds	25 November 2013	6.15%	RMB2.35 billion	16 December 2013	RMB2.35 billion	22 November 2018
Corporate bonds	25 November 2013	6.18%	RMB2.39 billion	16 December 2013	RMB2.39 billion	23 November 2023
Corporate bonds	14 July 2014	5.25%	RMB5.65 billion	13 August 2014	RMB5.65 billion	12 July 2017
Corporate bonds	14 July 2014	5.45%	RMB4.55 billion	13 August 2014	RMB4.55 billion	11 July 2019
Corporate bonds	14 July 2014	5.85%	RMB0.8 billion	13 August 2014	RMB0.8 billion	11 July 2024
Short-term corporate bonds	2 December 2014	4.65%	RMB5.0 billion	19 December 2014	RMB5.0 billion	30 November 2015
Short-term corporate bonds	22 December 2014	5.85%	RMB2.5 billion	10 March 2015	RMB2.5 billion	19 March 2015
Short-term corporate bonds	13 May 2015	5.00%	RMB8.0 billion	2 July 2015	RMB8.0 billion	10 May 2016
Subordinated bonds	8 April 2015	5.50%	RMB15.0 billion	11 May 2015	RMB15.0 billion	4 April 2018 6 April 2020*
Subordinated bonds	12 June 2015	5.30%	RMB15.0 billion	26 August 2015	RMB15.0 billion	9 June 2017 8 June 2018*
Subordinated bonds	12 June 2015	5.38%	RMB5.0 billion	26 August 2015	RMB5.0 billion	8 June 2018 10 June 2020*
Short-term financing bills	8 March 2016	2.45%	RMB2.0 billion	10 March 2016	RMB2.0 billion	3 June 2016
Non-public corporate bonds	18 May 2016	3.60%	RMB15.0 billion	15 June 2016	RMB15.0 billion	15 May 2019 14 May 2020*
Non-public corporate bonds	18 May 2016	3.80%	RMB5.0 billion	15 June 2016	RMB5.0 billion	13 May 2021

* In the event the issuer determines to exercise its option of redemption, the date of termination of trading will extend to the corresponding date.

Section IV REPORT OF THE BOARD OF DIRECTORS

(3) *Explanations on progress of business plans*

Under the “One Body, Two Wings (一體兩翼)” guidance of overall strategy, the Company adheres to sound operation, deepens the reform and transformation, takes advantages from reform, enhances the market position of seller business, consolidates its status as an industry leader of capital intermediary business, continuously promotes the innovation and transformation of capital-based business, strengthens the cross-lines and cross-border business collaboration, creates an integrated financial services platform with a rich product mix and prompt service response, and will conscientiously carry out the construction of the “four pillars” and lay a strong foundation for development, so as to enhance the Company’s comprehensive competitiveness and be the benchmark of the investment bank of China. In the first half of the year, the seller business of the Company maintained a good development momentum, the number of brokerage clients continued to maintain a rapid growth, customer structure was optimized constantly, and the underwritten amounts of enterprise bonds by investment banking business ranked the first in the industry, while underwritten amounts of bonds ranked among the top four of the industry with the size of asset management hitting another record; and the scale of its financing business topped the industry; the transformation of investing business was steadily promoted, the exploration and layout of FICC business had geared up and profitable channels had been expanded continually; direct investment and PE subsidiaries, alternative investment companies, leasing companies and futures companies maintained a better growth momentum; the market position of Haitong International Securities was continually consolidated, with several of its businesses ranked top among the investment banks based in Hong Kong; the establishment of supporting systems such as research, IT, talent and risk management was carried out simultaneously, which laid a solid foundation for the Company’s sustainable and healthy development.

Section IV REPORT OF THE BOARD OF DIRECTORS

(II) Analysis on principal components of consolidated statement of financial position

1. Analysis on principal components of consolidated statement of financial position

As at the end of June 2016, the total assets and the total liabilities of the Group amounted to RMB542.3 billion and RMB426.4 billion, representing a decrease of 5.92% and 7.21% compared with those at the beginning of the year respectively. Among the Group's current assets, the bank balances and cash and clearing settlement funds represented 27.91% of its total assets; financial assets such as financial assets at fair value through profit or loss, derivative financial assets, available-for-sale investments and receivable investments in total represented 21.61% of its total assets, advances to customers on margin financing represented 11.93% of its total assets, financial assets held under resale agreements represented 11.30% of its total assets, while property and equipment represented 0.24% of its total assets only. The assets of the Group were in reasonable structure with stronger liquidity.

Major items of the consolidated statement of financial position of the Group are as follows:

Unit: RMB'000

	30 June 2016	Composition	31 December 2015	Composition	Increase/Decrease	
					Amount	Percentage
Non-current assets	112,872,347		102,682,965		10,189,382	9.92%
Of which: Finance lease receivables	19,558,607	3.61%	17,472,135	3.03%	2,086,472	11.94%
Available-for-sale investments	37,978,244	7.00%	33,445,224	5.80%	4,533,020	13.55%
Other loans and receivables	6,213,460	1.15%	4,668,075	0.81%	1,545,385	33.11%
Financial assets at fair value through profit or loss	3,181,111	0.59%	7,774,533	1.35%	-4,593,422	-59.08%
Investments accounted for using equity method	6,887,081	1.27%	5,136,607	0.89%	1,750,474	34.08%
Financial assets held under resale agreements	21,215,565	3.91%	17,223,078	2.99%	3,992,487	23.18%
Property and equipment	1,294,964	0.24%	1,317,178	0.23%	-22,214	-1.69%
Loans and advances	5,663,485	1.04%	5,648,299	0.98%	15,186	0.27%
Deferred tax assets	2,874,034	0.53%	2,516,143	0.44%	357,891	14.22%
Goodwill	3,797,086	0.70%	3,757,597	0.65%	39,489	1.05%
Current assets	429,459,582		473,765,927		-44,306,345	-9.35%
Of which: Bank balances and cash	141,451,077	26.08%	163,191,220	28.31%	-21,740,143	-13.32%
Clearing settlement funds	9,947,914	1.83%	15,747,116	2.73%	-5,799,202	-36.83%
Financial assets at fair value through profit or loss	85,769,831	15.82%	102,665,873	17.81%	-16,896,042	-16.46%
Advances to customers on margin financing	64,716,558	11.93%	76,324,967	13.24%	-11,608,409	-15.21%
Accounts receivable	9,057,863	1.67%	6,263,868	1.09%	2,793,995	44.60%
Financial assets held under resale agreements	61,291,360	11.30%	60,245,770	10.45%	1,045,590	1.74%
Finance lease receivables	11,734,709	2.16%	9,921,752	1.72%	1,812,957	18.27%
Available-for-sale investments	13,018,488	2.40%	11,045,127	1.92%	1,973,361	17.87%
Deposits with exchanges	6,204,059	1.14%	5,275,772	0.92%	928,287	17.60%
Derivative financial assets	4,878,488	0.90%	3,428,166	0.59%	1,450,322	42.31%
Other loans and receivables	13,484,357	2.49%	13,524,326	2.35%	-39,969	-0.30%
Total assets	542,331,929		576,448,892		-34,116,963	-5.92%

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	30 June 2016	Composition	31 December 2015	Composition	Increase/Decrease Amount Percentage	
Current liabilities	290,356,946		336,022,549		-45,665,603	-13.59%
Of which: Accounts payable to brokerage clients	110,309,039	25.87%	129,026,336	28.08%	-18,717,297	-14.51%
Financial assets sold under repurchase agreements	43,705,619	10.25%	90,951,854	19.79%	-47,246,235	-51.95%
Borrowings	42,611,002	9.99%	31,284,497	6.81%	11,326,505	36.20%
Placements from banks and other financial institutions	3,100,378	0.73%	1,512,362	0.33%	1,588,016	105.00%
Financial liabilities at fair value through profit or loss	33,104,372	7.76%	24,837,241	5.41%	8,267,131	33.29%
Derivative financial liabilities	4,911,394	1.15%	3,718,116	0.81%	1,193,278	32.09%
Other payables and accruals	19,728,820	4.63%	15,504,612	3.37%	4,224,208	27.24%
Short-term financing bills payables	18,202,075	4.27%	22,336,951	4.86%	-4,134,876	-18.51%
Bonds payable	10,242,032	2.40%	10,793,748	2.35%	-551,716	-5.11%
Net current assets	139,102,636		137,743,378		1,359,258	0.99%
Non-current liabilities	136,026,483		123,498,672		12,527,811	10.14%
Of which: Bonds payable	104,624,559	24.54%	89,805,660	19.54%	14,818,899	16.50%
Long-term borrowings	11,262,834	2.64%	9,330,007	2.03%	1,932,827	20.72%
Financial assets sold under repurchase agreements	2,797,328	0.66%	7,624,682	1.66%	-4,827,354	-63.31%
Financial liabilities at fair value through profit or loss	4,941,912	1.16%	6,188,371	1.35%	-1,246,459	-20.14%
Placements from banks and other financial institutions	6,050,429	1.42%	5,747,990	1.25%	302,439	5.26%
Total liabilities	426,383,429		459,521,221		-33,137,792	-7.21%
Total equity	115,948,500		116,927,671		-979,171	-0.84%

* Composition percentages for assets and liabilities refer to the share in total assets and the share in total liabilities, respectively

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Non-current assets

As at the end of June 2016, the non-current assets of the Group increased by 9.92% to RMB112.9 billion as compared with the beginning of the year, mainly due to the increase in finance lease receivables of Haitong UT and the increase in long-term assets held by the Group such as available-for-sale investments and stock pledge repurchases.

Current assets and liabilities

As at the end of June 2016, the net current assets of the Group were RMB139.1 billion, representing an increase of RMB1.4 billion or 0.99% as compared with RMB137.7 billion at the beginning of the year with a slight change.

The decrease in the current assets of the Group was mainly because: 1) funds flowed out of the stock market and securities companies due to the weak market in the first half of 2016, resulting in a decrease in bank balances and cash and clearing settlement funds as compared with the end of last year; 2) the Group reduced its investment in financial assets at fair value through profit or loss since the stock index has significantly declined due to the downturn of the stock market in the first year half of 2016.

The decrease in the current liabilities of the Group was mainly due to a decrease in accounts payable to brokerage clients as a result of the weak securities market in the first half of 2016 and a decrease in the size of the financial assets sold under repurchase agreements by the Group as a result of a decline in the funding needs of margin financing business.

Non-current liabilities

The increase in the non-current liabilities of the Group was mainly due to the issue of corporate bonds and enterprise bonds by the Group and the increase in long-term borrowings of Haitong UT.

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Borrowings and bond financing

As at 30 June 2016, the total borrowings and bond financing of the Group amounted to RMB186.9 billion. Set out below is the breakdown of borrowings and bond financing of the Group as at the end of June 2016 and as at the end of last year:

Unit: RMB'000

	30 June 2016	31 December 2015
Bonds payable	114,866,591	100,599,408
Borrowings	53,873,836	40,614,504
Short-term financing bills payables	18,202,075	22,336,951
Total	186,942,502	163,550,863

For the information of interest rate and maturities of borrowings and bonds financing, please refer to notes 34, 35 and 39 set out in the appended financial report.

As at 30 June 2016, the Group's borrowings, short-term financing bills payables and bonds payable due within one year amounted to RMB71.1 billion, and the Group's net current assets, net of liabilities such as bonds payable, borrowings and short-term financing bills payables due within one year, amounted to RMB139.1 billion. Therefore, liquidity risk exposure of the Group was immaterial.

Except for the liabilities disclosed in this Report, as at 30 June 2016, the Group had no outstanding mortgage, charges, bonds payable, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

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(III) Analysis on core competitiveness

In the process of long-standing business operation, the Company has gradually formed its characteristic core competitiveness which is mainly embodied in:

1. *Leading capital strength in the industry*

The Company has taken the market opportunities and strengthened its capital strength rapidly through several strategic equity financing and bond financing. In the first half of 2016, the business development and the promotion of key strategic priorities were guaranteed by sufficient capital provided by the Company through corporate bonds, Euro Bonds, short-term financing bills, gold forward transaction, transfer of financing, syndicated loans and etc. The Company ranked the second among all securities firms in the PRC in terms of total assets and net assets as at the end of each year from 2009 to 2015 and as at 30 June 2016 respectively. Sufficient capital provided the Company with first-mover advantage with regard to implementing business transformation and accelerating business innovation.

2. *Excellent comprehensive business platform*

The Company has developed into a financial service conglomerate covering various businesses including brokerage, investment banking, asset management, direct equity investment, alternative investment and financing lease. The Company has strong base in brokerage business, high market influence in investment banking business, stable development in asset management business, and top market ranking in innovative business. A comprehensive financing platform possesses strong scale effects and cross-selling potential, and has provided powerful support for its business development.

3. *Extensive branch network with a substantial and stable customer base*

The Company has speeded up its new network layout. As of 30 June 2016, the Company had 329 securities and futures business departments (including 290 securities business departments and 39 futures business departments) spanning across 30 provinces, direct-controlled municipalities and autonomous regions in the PRC, as well as branches and subsidiaries in 12 countries and regions including Hong Kong, Macau, Singapore, Europe, North America, South America and South Asia. Leveraging on its branch network across China and strategic international network, the Company has built a large and stable customer base. As of 30 June 2016, the Company had over 9 million customers onshore and offshore.

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4. *Leading innovation ability in the market*

The Company always treats innovation as the key driving force in promoting strategic transformation. In recognition of its strong capital position, effective risk management and proven execution capabilities, the Company is frequently designated by the regulatory authorities as the first few securities firms to participate in pilot programs for new businesses. The Company has maintained its leading positions in innovative businesses such as client financing business, etc. in recent years. In addition, the Company accelerated the pace of self-independent innovation, and continuously provided customers with innovative business solutions and enriched its serving methods for onshore and offshore customers. The proportion of revenue generated from innovative businesses continued increasing, and has exceeded 39% in the first half year of 2016, which effectively offset the adverse effect by the revenue decrease in traditional businesses.

5. *All-around international business platform*

The Company has taken the lead in establishing an international business platform by acquiring and consolidating Haitong International Securities and Haitong Bank and setting up a branch in the free trade zone in China. Various financial indicators of Haitong International Securities ranked in the forefront among those of Chinese securities firms in Hong Kong, and the number of underwriting projects and financing amount in equity financing ranked in the forefront among the investment banks based in Hong Kong. Haitong Bank is a leading investment bank in Portuguese-speaking and Spanish-speaking regions, with its business covering nine countries and regions in Europe, America, South America and South Asia, ranking the first in Portugal in terms of number of merger and acquisition projects and transaction amount. As the first securities institution that enters the FTU system of the free trade zone, the branch in the free trade zone successfully applied for joining in the international board of Shanghai Gold Exchange and CNYFAST. Benefiting from the all-round international business platform leading the industry, the Company will capture the increasing opportunities of cross border business, satisfy the demands for cross-border business of its customers and improve its international influence.

6. *Sound corporate governance and effective risk management and internal control systems*

The Company has adhered to the mindset of “proper and even conservative” for risk management and has navigated through several market and business cycles, regulatory reforms and industry transformations and developments over its 27 years of operation history. The Company is the only large PRC securities firm founded in the 1980s that remains in operation and retains the same brand without receiving government-backed capital injections or being acquired or restructured. The Company keeps improving its existing risk management system to effectively manage market risk, credit risk, liquidity risk and operational risk. The Company has also established effective Chinese walls and proper precautionary mechanisms across its business lines to handle with potential conflicts of interests. In addition, the Company has established an independent and centralized internal audit and compliance system, in order to effectively monitor its operations and transactions.

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(IV) Analysis on investments

1. Overall analysis on external equity investments

At the end of the Reporting Period, the Group's long-term equity investments amounted to RMB6,887 million, representing an increase of RMB1,750 million or 34.08% as compared with RMB5,137 million at the end of last year, which was mainly due to the increase of equity investments by the subsidiaries of Haitong International Holdings. Please refer to investments accounted for using equity method disclosed in the financial report for details of long-term equity investments.

2. Securities investments

No.	Type of Securities	Stock code	Stock name	Initial investment amount (RMB'000)	Number of shares held (share)	Carrying value as at the end of the period (RMB'000)	Percentage of total securities investments at the end of the period (%)	Profit and loss during the Reporting Period (RMB'000)
1	Monetary fund	511880	銀華日利	2,476,765.05	24,456,494.00	2,478,910.23	1.86	102,770.64
2	Treasury bond in Shanghai Stock Exchange	010213	02 Treasury Bond (13)	2,026,084.53	21,000,000.00	2,103,990.00	1.58	16,590.00
3	Other funds	HFT001	HFTQDII1	1,356,316.94	1,536,526,880.82	1,408,637.83	1.06	73,897.28
4	Preferred shares		ICBC Preference Shares (USD)	1,149,865.42	1,480,000.00	1,192,796.04	0.90	60,117.56
5	Monetary fund	270014	廣發貨幣B	1,145,921.33	1,164,806,901.40	1,164,806.90	0.88	129,722.75
6	Monetary fund	511820	騰華添利B	1,086,235.57	10,866,526.00	1,086,522.20	0.82	-
7	Monetary fund	000543	上銀慧財寶B	1,000,000.00	1,000,000,000.00	1,000,000.00	0.75	3,130.35
8	Monetary fund	001374	華夏現金增利B	1,000,000.00	1,007,910,360.44	1,007,910.36	0.76	7,910.36
9	Monetary fund	091005	大成貨幣B	1,000,000.00	1,000,000,000.00	1,000,000.00	0.75	-
10	Monetary fund	100028	富國天時貨幣B	1,000,000.00	1,000,000,000.00	1,000,000.00	0.75	-
Other securities investments held as at the end of the Reporting Period				119,609,646.70	/	119,650,111.29	89.90	1,568,897.76
Profit and loss for securities investments sold during the Reporting Period				/	/	/	/	-1,044,568.50
Total				132,850,835.55	/	133,093,684.87	100.00	918,468.20

Notes to securities investments

Note 1: The sequence of this table is based on the percentage of the carrying value as at the end of the Reporting Period attributable to the total securities investments of the Group as at the end of the Reporting Period, and this table only shows the top ten securities held by the Group as at the end of the Reporting Period;

Note 2: The securities investments in this table refer to the investment in stocks, warrants, convertible bonds, etc., of which investment in stocks only shows the part accounted for as financial assets held for trading in the consolidated statements of the Group;

Note 3: Other securities investments refer to investments in other securities, other than the top ten securities;

Note 4: Profit and loss during the Reporting Period includes investment gains and fair value change from holding such securities by the Group during the Reporting Period.

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3. Shareholding in other listed companies

Unit: RMB'000

Stock code	Stock name	Initial investment cost	Percentage of shareholding at the end of the period (%)	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
002517	愷英網絡	782,851.30	9.97	1,518,974.06	-	651,099.25	Available-for-sale financial assets	Restricted shares converted from corporate shares
601211	國泰君安	352,710.91	0.40	540,816.00	73,922.07	17,632.00	Available-for-sale financial assets	Restricted shares converted from corporate shares
600958	東方證券	161,789.00	0.42	442,943.50	262,650.62	-87,218.50	Available-for-sale financial assets	Restricted shares converted from corporate shares
601398	工商銀行	371,644.10	0.02	360,283.80	-	-11,360.30	Available-for-sale financial assets	Purchase from secondary market
002550	千紅製藥	373,270.81	2.64	281,726.57	2,533.51	-91,544.24	Available-for-sale financial assets	Purchase from secondary market
601318	中國平安	278,280.00	0.04	247,669.20	-	-30,610.80	Available-for-sale financial assets	Purchase from secondary market
601988	中國銀行	200,500.00	0.02	160,500.00	8,750.00	-40,000.00	Available-for-sale financial assets	Purchase from secondary market
603399	新華龍	109,999.99	2.90	156,736.74	-	22,691.75	Available-for-sale financial assets	Non-public issuance of shares
832168	中科招商	141,480.00	0.44	141,480.00	982.50	-	Available-for-sale financial assets	Purchase from secondary market
600004	白雲機場	138,000.00	0.87	122,600.00	-	-15,400.00	Available-for-sale financial assets	Purchase from secondary market
Equities in other listed companies								
		2,606,895.43	/	2,880,259.00	198,138.07	-650,198.47	/	/
Total								
		5,517,421.54	/	6,853,988.87	546,976.77	-234,909.31	/	/

Notes to shareholding in other listed companies

Note 1: This table only shows the shareholdings in other listed companies accounted for as available-for-sale financial assets by the Group;

Note 2: Profit and loss during the Reporting Period refers to the effects on consolidated net profit of the Group during the Reporting Period caused by such investment.

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4. Equity participation in financial companies

Unit: RMB'000

Name	Initial investment amount	Equity percentage at the beginning of the period	Equity percentage at the end of the period	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
Fullgoal Fund Management Co., Ltd.	92,907.38	27.775%	27.775%	563,507.83	91,379.75	-12,987.59	Long-term equity investments	Capital contribution for subscription investments
HFT Investment Management Co., Ltd.	67,000.00	51.00%	51.00%	76,500.00	31,346.66	-1,396.96	Long-term equity investments	Capital contribution for establishment of subsidiaries
Haitong-Fortis Private Equity Fund Management Co., Ltd.	63,650.00	67.00%	67.00%	63,650.00	11,249.02	-976.39	Long-term equity investments	Capital contribution for establishment of subsidiaries
Haitong Futures Co., Ltd.	1,369,191.78	66.667%	66.667%	1,369,191.78	84,210.49	3,798.29	Long-term equity investments	Subsidiaries acquired through merger of enterprises not under common control
Haitong International Holdings Limited	7,406,814.50	100.00%	100.00%	7,406,814.50	407,205.79	-134,149.59	Long-term equity investments	Capital contribution for establishment of subsidiaries
Haitong Capital Investment Co., Ltd.	7,650,000.00	100.00%	100.00%	7,650,000.00	379,843.60	81,036.87	Long-term equity investments	Capital contribution for establishment of subsidiaries
Haitong Innovation Securities Investment Co., Ltd.	3,500,000.00	100.00%	100.00%	3,500,000.00	271,181.48	-89,803.98	Long-term equity investments	Capital contribution for establishment of subsidiaries
Shanghai Haitong Securities Asset Management Company Ltd.	1,200,000.00	100.00%	100.00%	1,200,000.00	-73,221.16	-9,545.94	Long-term equity investments	Capital contribution for establishment of subsidiaries
Total	21,349,563.65	/	/	21,829,664.11	1,203,195.62	-164,025.28	/	/

Note 1: Financial companies include commercial banks, securities companies, insurance companies, trust companies, and futures companies etc. This table only shows the shareholdings in non-listed financial companies held by the Company;

Note 2: Profit and loss during the Reporting Period refers to the effects on consolidated net profit during the Reporting Period caused by such investment;

Note 3: Changes in equity of owners during the Reporting Period refer to the effects on the consolidated equity of owners during the Reporting Period caused by such investment.

As at the end of the Reporting Period, the initial investment costs for equity participation in non-listed financial companies as stated in the table above amounted to RMB21,350 million, remaining unchanged from that at the end of 2015.

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5. *Use of proceeds*

Please refer to “Analysis and description of various previous financing and material assets restructuring events of the Company” above.

6. *Analysis on principal subsidiaries and non-controlling companies*

- (1) The registered capital of HFT Investment Management Co., Ltd. was RMB150 million, 51% of which was held by Haitong Securities. As of 30 June 2016, total assets and net assets of HFT Investment amounted to RMB1,242 million and RMB871 million, respectively. In the first half of 2016, its operating income and net profit amounted to RMB256 million and RMB61 million, respectively.
- (2) The registered capital of Fullgoal Fund Management Co., Ltd. was RMB300 million, 27.775% of which was held by Haitong Securities. As of 30 June 2016, total assets and net assets of Fullgoal Fund amounted to RMB4,014 million and RMB2,067 million, respectively. In the first half of 2016, its operating income and net profit amounted to RMB1,185 million and RMB360 million, respectively.
- (3) The registered capital of Haitong-Fortis Private Equity Fund Management Co., Ltd. was RMB100 million, of which 67% was held by Haitong Securities. As of 30 June 2016, total assets and net assets of Haitong-Fortis PE amounted to RMB178 million and RMB136 million, respectively. In the first half of 2016, its operating income and net profit amounted to RMB46 million and RMB17 million, respectively.
- (4) The registered capital of Haitong Futures Co., Ltd. was RMB1,300 million, of which 66.667% was held by Haitong Securities. As of 30 June 2016, total assets and net assets of Haitong Futures amounted to RMB21,529 million and RMB2,450 million, respectively. In the first half of 2016, its operating income and net profit amounted to RMB2,146 million and RMB126 million, respectively.
- (5) The registered capital of Haitong International Holdings Limited was HK\$8,850 million, of which 100% was held by Haitong Securities. As of 30 June 2016, total assets and net assets attributable to the parent company of Haitong International Holdings amounted to HK\$208,616 million and HK\$11,236 million, respectively. In the first half of 2016, its operating income and net profit amounted to HK\$5,885 million and HK\$814 million, respectively. Haitong International Holdings held 60.91%, 100% and 100% equity interest in Haitong International Securities, Haitong UT and Haitong Bank, respectively.
- (6) The registered capital of Haitong Capital Investment Co., Ltd. was RMB7,650 million, of which 100% was held by Haitong Securities. As of 30 June 2016, total assets and net assets attributable to the parent company of Haitong Capital amounted to RMB14,130 million and RMB10,331 million, respectively. In the first half of 2016, its operating income and net profit amounted to RMB614 million and RMB380 million, respectively.

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- (7) The registered capital of Haitong Innovation Securities Investment Co., Ltd. was RMB3,500 million, of which 100% was held by Haitong Securities. As of 30 June 2016, total assets and net assets of Haitong Innovation Securities amounted to RMB7,229 million and RMB4,419 million, respectively. In the first half of 2016, its operating income and net profit amounted to RMB306 million and RMB271 million, respectively.
- (8) The registered capital of Shanghai Haitong Securities Asset Management Company Limited was RMB1,200 million, of which 100% was held by Haitong Securities. As of 30 June 2016, total assets and net assets of HT Asset Management amounted to RMB21,586 million and RMB2,199 million, respectively. In the first half of 2016, its operating income and net profit amounted to RMB45 million and RMB-73 million, respectively.
- (9) The issued share capital of Haitong International Securities Group Limited was HK\$533 million, of which 60.91% was held by Haitong Securities. As of 30 June 2016, total assets and net assets of Haitong International Securities amounted to HK\$109.61 billion and HK\$21.2 billion, respectively. In the first half of 2016, its operating income and net profit amounted to HK\$2.45 billion and HK\$0.81 billion, respectively.
- (10) The issued share capital of Haitong UT Capital Group Co., Limited was RMB3,429 million, of which 100% was held by Haitong Securities. As of 30 June 2016, total assets and net assets of Haitong UT amounted to RMB39,348 million and RMB7,104 million, respectively. In the first half of 2016, its operating income and net profit amounted to RMB1,521 million and RMB438 million, respectively.
- (11) The registered capital of Haitong Bank, S.A. was 426.269 million euros, of which 100% was held by Haitong Securities. As of 30 June 2016, total assets and net assets of Haitong Bank amounted to 4,712 million euros and 490 million euros, respectively. In the first half of 2016, its operating income and net profit amounted to 63 million euros and -20 million euros, respectively.

7. Non-fund raising projects

Not Applicable

(V) Risk management

1. Risks exposed to the operating activities of the Company

The risks exposed to the Company's business operation activities mainly include: credit risk, market risk, operational risk and liquidity risk, etc. which, specifically speaking, are mainly represented in the following aspects:

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(1) *Credit risk*

Credit risk refers to the potential loss suffered by the Company due to its financing customers, counterparties or issuers of securities held by it failing to perform their contractual obligations or the loss suffered by the Company due to the deterioration of the credit qualities of the third parties whose securities are held by the Company. Credit risk has certain correlation with market risk. The credit risk exposure of the Company on possession or trading of certain financial products also changes while the market fluctuates. As such, the Company has adopted necessary monitoring and preventive measures in respect of market fluctuations, so as to effectively manage credit risk.

Credit risk exposed to the Company mainly relates to the failure to perform duties by customers and counterparties in the course of business such as self-owned monetary funds deposited in other financial institutions, bank deposits and deposits from customers in trading of securities on behalf of customers, provision of margin financing and securities lending services and stock repo and stock pledged repo transaction services to customers, proprietary business such as bond investment and derivative transactions.

The Company's monetary funds are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good reputation, and the clearing settlement funds are deposited in China Securities Depository and Clearing Corporation Limited, therefore, its cash and cash equivalents are facing a relatively low credit risk. In terms of securities brokerage business, trading is settled under gross margining for the sake of credit risk avoidance. In terms of margin financing and securities lending business, stock repo transaction and stock pledged repo business, credit risks involved in the business are controlled through the establishment and enforcement of various strict systems and measures in such areas as due diligence, credit assessment, credit approval, mark-to-market and liquidation of positions. The Company emphasizes diversified investment in respect of credit type fixed income securities and existing investments are comprised mainly of high credit rating products, and kept a close track of the operating conditions and credit rating changes of investees. Therefore, credit risks associated with the investment subjects are well under control. In terms of over-the-counter derivatives business, the Company established a sound regulation system covering subject securities management, counterparty credit management and risk handling procedure; and conducted daily mark-to-market evaluation throughout the term of each over-the-counter derivative trade, and adopted robust pre-warning, stop-loss policy and other measures in order to manage credit risk. In addition, the Group's subsidiaries are also exposed to credit risk when carrying out financing business, investment business, leasing business, over-the-counter derivatives and other businesses. The Company has been working to strengthen credit risk management at the group level, and driving forward the analysis of customer concentration at the group level, in order to control concentration risk at the group level. At the same time, the Company requires its subsidiaries to make regular reports, so as to fully evaluate and understand the credit risk conditions of these subsidiaries.

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(2) *Market risk*

Market risk mainly refers to the risk of loss of its self-owned funds investment due to adverse changes in market prices (stock prices, interest rates, exchange rates, etc.) in the Company's business activities.

- A. Stock price risk. Stock price risk mainly refers to the risk of changes in the market price of the equity securities invested which could bring loss to the Company. The businesses with such risk mainly include equity securities proprietary trading business, market-making business and over-the-counter derivatives business. With high uncertainties, stock price risk is one of the major market risks that the Company faced. The Company closely monitors the price fluctuation of the relevant asset and has adopted relevant preventive measures.

In January 2016, the domestic stock market in China showed an irreversible downward trend, while from February to June, it maintained fluctuations within the box shock interval. SSE Composite Index, for example, dropped progressively from high point of 3,536.59 points at the beginning of January 2016 and slumped to the lowest point of 2,638.30 points. As of 30 June 2016, SSE Composite Index closed at 2,929.61 points, amounting to a cumulative decrease of 17.22% in the first half year. During the same period, SZSE SME Price Index and SZSE ChiNext Price Index tumbled 17.88% and 17.92% respectively. In addition, the level of volatility of the stock market in the first half year has decreased as compared with that at the end of last year. SSE iVIX, for example, dropped progressively from 27.95% at the beginning of January 2016 to 18.58% as of 30 June 2016, representing a decrease of 33.53% from the beginning of the year.

The Company constantly tracks any variation in value-at-risk of securities positions to monitor the impact of relevant risks. To prevent price fluctuation risk, the Company implemented diversified investment strategies, properly controlled and timely adjusted total investment amounts of various securities and employed various arbitrage and hedging instruments, which has effectively controlled market risk.

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- B. Interest rate risk. Interest rate risk refers to the risk resulted from market interest rate fluctuations. The Company's assets which are exposed to interest rate risk mainly include monetary deposits, bond investment, financing business and debt issue, etc. In the first half of 2016, the PRC central bank implemented one RRR cut and utilized monetary policy instruments such as combination of SLF and MLF, which created conditions for relatively loose funds. In the first half of 2016, the China bond composite full-price index showed an upward trend during volatility until the end of March and then kept declining until the end of April while climbing in a shock situation afterwards. The China bond composite full-price index closed at 119.04 at the middle of 2016, representing a decrease of 0.21% from the end of last year. The Company managed interest rate risk by employing methods such as size control and investment portfolio re-balancing to achieve a reasonable allocation of assets, matching the maturities of liabilities and assets and by evaluating interest rate risk through regular measurement of indicators such as duration, convexity and DV01 of investment portfolios.
- C. Exchange rate risk. Exchange rate risk refers to the risk resulting from changes in foreign exchange rates. With the international expansion of the Company, the exchange rate risk is becoming evident. Apart from the Company's overseas equity investments, the subsidiaries also issued foreign currency denominated bonds, resulting in an increase in the debts denominated in foreign currencies, which increased the size of foreign currencies of the Group as a whole and caused difficulties in management. In addition, with the growth of the Company's business in the free trade zone, especially the increase in foreign currency liabilities and overseas investments, the foreign currency risk also increased. The Company continued to monitor and study the latest developments in the foreign exchange market, while constantly optimizing the relevant regulations and internal management, and adopted a series of measures to hedge and alleviate the exchange rate risk, so as to support the Company's overseas business development. As of 30 June 2016, the Group's exchange rate risk had no material impact on the financial statements.

Save as the abovementioned risks, overseas investment businesses conducted by the Group are also exposed to relevant market risk. Overseas investment businesses conducted by the Group include overseas investment businesses directly conducted by the parent company and investment businesses conducted by the overseas subsidiaries of the Group. Therefore, fluctuations of each element of market risk around the world may affect the overall profit or loss of the Group. In respect of overseas investment businesses directly conducted by the parent company, the Company currently includes them into the limit system of overall market risk so as to achieve unified management. In respect of investments businesses conducted by the overseas subsidiaries of the Group, the respective subsidiaries formulated and implemented the corresponding risk limits and risk management policies as well as reported to the parent company on the implementation of risk limits on a regular basis.

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(3) *Operational risk*

Operational risk refers to risks associated with losses arising from the deficiency and defects of the internal processes, human or system issues and external events. Operational risk usually includes the risks resulting from intra-company human errors in operation, internal process defects, information system fault and defects, trading failure and other reasons, as well as the risks caused by fraudulent conducts outside the Company. Information technology risk is a main component of the present operational risks. Information technology is important for business development and management of securities trading, settlement and service, etc. Unreliability of system, network technology defects and data error will all bring losses to the Company.

The Company adheres to improving the internal control management mechanism, completing the operational processes, strengthening the inspection and audit, intensifying the accountability system and reducing the chance of occurring risk events relating to operational risks, and actively and properly addresses the adverse effects brought by any such events. However, although the Company has formulated a relatively sound internal control system in accordance with the provisions of Guidelines for Internal Control of Securities Company issued by CSRC, there is no guarantee that the Company can completely avoid the economic loss, legal disputes and non-compliance risks which may result from operation errors and human acts of omission. Besides, the securities industry which the Company belongs to is a knowledge-intensive industry, therefore, the staff moral hazard is more severe than that of other industries, and staff's illegal or criminal acts will cause loss to the Company's assets and damage the Company's reputation. The Company persists in the implementation of refined management, constantly improves the business process and strengthens professional integrity and professional ethics education of staff, and strives to control and reduce operational risk exposure. During the Reporting Period, the Group continues to improve the construction of its operational risk management system and internal control structure; strengthens the information wall system among the brokerage business, proprietary business, asset management business, investment banking business and innovation business, to prevent insider trading, conflict of interests, transfer of benefits and other irregularities.

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(4) *Liquidity risk*

Liquidity risk refers to the risk that a company is unable to gain sufficient funds with reasonable cost in a timely manner to pay its due debts, satisfy other payment obligations and meet the requirements for carrying out the normal business operations. In light of factors such as large business scale of the Company's proprietary business and financing businesses, the operation of the Company is subject to factors including macroeconomic policy, changes of market conditions, and credit of clients. The Company may also be subject to liquidity risk arising from mismatched asset-liability structure.

During the Reporting Period, due to the stable equity market, the scale of financing businesses of the Company gradually began to stabilize and experienced a significant decline in fluctuations as compared with the previous period. Meanwhile, surplus liquidity in form of contra flow as a result of the decrease in scale of the margin financing and securities lending business of the Company during the previous period gradually started to decrease along with the successive repayment of various liabilities. In this regard, during the Reporting Period, the major exposure of liquidity risk of the Company mainly concentrated on pressure from capital repayment within a short time resulting from liabilities of significant amount constantly due at the same time.

Facing changes in market environment and transformation of the Company's internal capital requirements, the Company actively formulated plans and through various ways further strengthened liquidity risk control and improved risk management by carrying out prior risk identification, existing risk mitigation, follow-up improvements and other measures.

In respect of daily liquidity risk management, the Company has always embraced the mindset of "proper and even conservative risk control" and successfully contained liquidity risk exposure within a reasonable range through reasonable monitoring mechanism and adjustment measures by adhering to its liquidity risk preferences and limit requirements of risk indicators. In order to deal with liabilities repayment rush the Company faced during the Reporting Period and improve the level of meticulous management on liquidity risk, the Company reserved sufficient quality liquidity in a timely manner and matched them with each liability in accordance with the maturity dates to effectively ensure smooth completion of relevant debt repayment by strictly complying with relevant internal management measures and requirements. Furthermore, in order to prevent the overlap effects caused by due liabilities of significant amount on the Company's capital used for relevant businesses, the Company also established its liquidity risk stress testing model with debt maturity structure and quality asset reserve as the core, which enhanced its control capabilities and projection effectiveness to liquidity risk. During the Reporting Period, the Company continued to revise liquidity risk emergency plans and completed the first liquidity risk emergency rehearsal within the Group for 2016 on June 30, which improved its capabilities of daily liquidity risk prevention and control.

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In respect of mid- and long-term liquidity risk management, the Company continued to optimize its capital allocation structure, duly improved its liabilities planning and replaced part of usufruct transfer with high costs by leveraging on the opportunity of occurrence of repayment cycle for liabilities with significant amount, which resulted in an effective decrease in its liability costs. During the Reporting Period, the Company continued to put emphasis on maintaining good cooperative relationship with major commercial banks, focus on standardized operations and maintain good reputation so as to maintain smooth financing channels, and adjusted its debt structure by issuing non-public corporate bonds amounting to RMB20 billion, which further mitigated the effects on the liquidity condition of the Company caused by structure mismatches of its assets and liabilities and reserved certain amount of capital to develop its business in the future.

On the whole, during the Reporting Period, the Company had sufficient quality asset reserves with liquidity risk exposure in each maturity structure contained within a reasonable range, and the overall liquidity risk was under control.

2. Reflection of main risk factors in this Reporting Period

- (1) As at the end of June 2016, the Company's margin financing and securities lending business, stock repo transaction and stock pledged repo business recorded higher average performance guarantee ratios, namely 279.47%, 224.58% and 308.59% respectively, which are fairly safety levels. None of these three margin trading business exceeds the limit indicators for credit risk, all of them were in healthy and stable operation. In addition, as at 30 June 2016, the non-performing asset ratio of the total assets of Haitong UT was 1.25%, with a provision coverage ratio of 238%, indicating smooth operation of each business.
- (2) The ratio of VaR to net assets at the end of each month in the first half of 2016 kept below 0.3%, which was controllable and acceptable. However, the use of various financial instruments was still influenced by the regulatory environment, effectiveness of investment strategy and hedging strategy. The effectiveness of management methods was also restricted by the adverse changes of market liquidity.

During the first half of 2016, the scale of the Company's equity securities investment kept steady as a whole. Besides traditional momentum investment, the Company actively conducted innovative business models such as quantitative investment and options market making. Meanwhile, over-the-counter options and other capital intermediary business experienced further expansion in scale. In executing the above innovative business models, the Company adhered to risk-neutral investment strategy, and effectively controlled the relevant risk exposures.

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Based on the trends of and judgments on bond market and liquidity management needs, the Company flexibly adjusted allocation of non-equity securities and the scale of overall investment of non-equity securities of the Company remained stable with certain increase. The whole portfolio duration was under control with little changes and remaining relatively stable at the end of each month. The average investment duration at the end of first half of 2016 was 2.42, representing a slight decrease as compared with 2.84 at the end of 2015. In the first half of 2016, the Company maintained an overall sound market risk control over its fixed income investments.

In addition, there has been volatility in the stock market since June 2015. In order to maintain long-term stability of securities market and give an active role of securities companies, the Company made two contributions in a total amount of RMB19,457 million and enter into the Master Agreement for OTC Derivatives Trading in the China Securities Futures Market and the Confirmation of Return Swaps Trading with China Securities Finance Corporation Limited for investment on blue-chip ETF. The abovementioned contributions have been accounted into the Company's annual proprietary equity securities and securities' derivatives investment scale quota.

- (3) The Company adheres to standard operation procedures in general and does not have significant operational risks. It continues to strengthen the building and operation of information technology system and conduct regular and irregular inspection and maintenance in strict accordance with operation management procedures, thus ensuring the reliable, stable and safe operation of system and avoid any significant technology risk. The Company intensifies the executive force of various rules and regulations and focuses on improving every system and process, so there is no management risk with material effects on the Company.
- (4) At the end of the Reporting Period, affected by factors such as the stable capital market and the issuance of non-public corporate bonds by the Company to supplement funds, the liquidity risks continued to maintain in a reasonable scope, and major risk control indicators including the liquidity coverage ratio and net stable fund ratio kept in compliance with the regulatory and internal management requirements. Sufficient capital reserves reduced possibility of the occurrence of liquidity risks and ensured that the Company could maintain its stable operation in a complex market environment. Facing an uncertain market environment in the future, the Company will continue to conduct assets and liabilities management actively and achieve higher capital utilization efficiency on the basis of safety and liquidity, so as to safeguard the sound operation of the Company.

During the Reporting Period, the Company maintained sound operation of all of its businesses, reasonable assets allocation and healthy financial situation, and various risk control indicators including the net capital kept in compliance with the regulatory requirements.

Section IV REPORT OF THE BOARD OF DIRECTORS

3. *Countermeasures and measures taken (or proposed to be taken) by the Company*

To address the abovementioned risks, the Company has taken or is taking a variety of countermeasures to prevent and control related risks according to the situation of domestic and international markets in recent years:

- (1) Adhering to the strategy of international development, enhancing knowledge about the global financial markets, and increasing corporate competitiveness. The Company continues to enhance and improve risk management communication system between parent company and subsidiaries, and to actively seek and research integrated risk management methods to increase overall risks management capability.
- (2) Proactively implementing its capital replenishing plans and enhancing its capital strengths through various measures. During the Reporting Period, the Company has completed its financing by corporate bonds and short-term financing bills, etc., optimized debt structure and reduced financing costs to support its business development.
- (3) Insisting on improving corporate governance structure. The Company continues to regulate operation of the general meeting of shareholders, to ensure that all shareholders, especially minority shareholders enjoy equal rights; to protect interests of minority shareholders, to standardize and improve operation of the Board, to give full play to the role of each special committee of the Board and independent Directors, to give full play to the supervision role of the Supervisory Committee to the Board and manager-level officers to protect the legal interests of the Company and its shareholders.
- (4) Adhering to optimizing internal control system. The Company is implementing the Basic Standards for Enterprise Internal Control and its supporting guidelines in full, conducting regularly internal control self-evaluation and striving to develop a risk management system in line with international standards.
- (5) Strengthening compliance and risk management. The Company continues to improve various compliance management functions and risk management standards, and continuously improves comprehensive risk management system. The Company further strengthens anti-money laundering work and Chinese wall construction, compliance monitoring, and prevents non-compliance such as insider trading, conflict of interest, and transfer of benefits. The Company continuously improves monitoring system from time to time, in order to make sure that business is operated with real-time monitoring and risk warning. It increases the audit and inspection of various businesses to ensure that the system, procedures and risk management measures are effectively implemented. It also increases staff compliance training, publicizes and creates culture of comprehensive compliance and active compliance, increases employees' awareness of compliance and risk management capabilities, and builds corporate culture based on operation compliance.

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- (6) Continuing to improve net capital monitoring system, strengthening the net capital oriented risk control indicator monitoring system, and optimizing allocation of net capital between various businesses, so as to prevent and resolve the liquidity risk. At the same time, the Company strengthens the application of sensitivity analysis and stress testing tools, providing risk assessment support for major business development and important decisions in a timely manner. The funds of the Company are mainly deposited in state-owned banks and reputable joint-stock banks, which ensures the safety of the funds. Under the premise of ensuring the safety and liquidity of funds, the Company strives to improve efficient use of funds.
- (7) Improving risk response mechanisms. The Company devotes itself to establishing risk management systems and process towards various businesses, to having full acknowledge of operation patterns and valuation models of various businesses, basic assumption of risk management, various major risks and potential losses with such pressure, and to continually improving various risks management process including risk monitoring, risk response, risk report and risk disposals.
- (8) Through robust research on the domestic and international macro-economic situations, industry economic conditions and listed companies, the Company has improved the effectiveness of market fluctuation forecasts. Based on careful judgments made about the market, real-time adjustments to proprietary trading size and asset allocation structure can be made. Moreover, the Company has standardized the investment decision-making process, strengthened the management of investment product candidates, strictly enforced the proprietary investment stop-profit and stop-loss system and successfully guarded against market risk and counterparty credit risk.
- (9) Increasing investment in system building and strengthening the establishment of the IT governance. The Company fully reviews the information system framework, detects blind spots in information management, strengthens system access licensing management, and standardizes the network construction of branches. At the same time, the Company strengthens the upgrading and optimization of centralized trading, legal person settlement, marketing management, margin financing and securities lending, stock index futures, human resources management and OA (office automation) systems, promotes customer relationship management systems and database construction, in order to provide strong support for business development. The Company has continued to promote the development and upgrading of various risk management information systems so that they can be adapted to the complexity of its current business and risk benchmark system, comprehensively cover all business sectors, and meet the increasingly complex risk management needs.

Section IV REPORT OF THE BOARD OF DIRECTORS

- (10) Strengthening investor education and appropriateness management. The Company insists on conducting investor education and strengthens customer appropriateness management. Beginning with knowing about customers, the Company properly undertakes basic works for investor education, works on customer and product management at different levels, reveals the risks to investors in a timely manner, intensifies customer service awareness, evaluates and classifies risks concerning products and services to provide proper products and services to proper investors. At the same time, the Company integrates customer resources and enhances customer data analysis and service capabilities.

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

(I) Implementation or adjustment of profit distribution proposal during the Reporting Period

The Company's 2015 profit distribution proposal was reviewed and approved by its shareholders at the 2015 annual general meeting. It was resolved that a cash dividend of RMB0.45 per share (inclusive of tax) would be distributed to all shareholders on the basis of its total share capital of 11,501,700,000 shares (representing the distribution of cash dividends of RMB4.50 (inclusive of tax) for every 10 shares), totaling a cash dividend of RMB5,175,765,000.00 (inclusive of tax), of which A Share capital is 8,092,131,180 shares, totaling A Share cash dividend of RMB3,641,459,031.00; H Share capital is 3,409,568,820 shares, totaling H Share cash dividend of approximately HKD1,818,514,328.52.

The Company published announcements relating to the implementation of 2015 profit distribution in the China Securities Journal, the Shanghai Securities News, the Securities Times, and the respective websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company. In July 2016, the Company's 2015 profit distribution proposal was fully implemented.

(II) Profit distribution proposal and proposal on transfer of capital reserve fund into capital for half year

The Company had no profit distribution proposal or proposal on transfer of capital reserve fund into capital for the first half of 2016.

Section IV REPORT OF THE BOARD OF DIRECTORS

III. OTHER DISCLOSURES

- (I) **Warnings of and statements for any projected accumulated net loss from the beginning of the year to the end of the next reporting period or substantial change in accumulated net profit as compared with the same period last year**

√ N/A

- (II) **Explanations on “Non-standard Audit Report” of accounting firm of the Board and Supervisory Committee**

√ N/A

- (III) **Other disclosures**

1. *Establishment of special purpose entities controlled by the Company during the Reporting Period*

During the Reporting Period, there were four new special purpose entities under the control of the Company, namely HaiTong XuYu International Limited, Haitong International Strategic Investment Europe Limited, Haitong International New Energy VIII Limited and Haitong International New Energy IX Limited.

- (1) HaiTong XuYu International Limited was established by Shanghai Haitong XuYu Equity Investment Co., Ltd. (上海海通旭禹股權投資有限公司), a wholly-owned subsidiary of Haitong Capital (the Company's wholly-owned subsidiary) on 3 February 2016 in British Virgin Islands, with an authorized capital of USD50,000 and a paid-in capital of USD0. HaiTong XuYu International Limited will act as the body of overseas investment of Haitong Capital for equity investment.
- (2) Haitong International Strategic Investment Europe Limited was established as a wholly-owned subsidiary of Haitong International Holdings (the Company's wholly-owned subsidiary in Hong Kong) on 5 January 2016 in British Virgin Islands, with an authorized capital of USD50,000 and a paid-in capital of USD1. Haitong International Strategic Investment Europe Limited would serve as a platform for the Company for the cooperation with Haitong Bank, a wholly-owned offshore subsidiary of the Company, in the offshore securities investment business, the signing of agreements and legal documents on relevant businesses with offshore institutions and the formation of a firewall between the domestic businesses and other offshore businesses of the Company to isolate risks.

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- (3) Haitong International Securities, a subsidiary of Haitong International Holdings (the Company's wholly-owned subsidiary established in Hong Kong), established the following two special purpose entities: 1) Haitong International New Energy VIII Limited, which was established on 11 January 2016 in British Virgin Islands, with an authorized capital of USD50,000 and a paid-in capital of USD1; 2) Haitong International New Energy IX Limited, which was established on 11 January 2016 in British Virgin Islands, with an authorized capital of USD50,000 and a paid-in capital of USD1.

2. *Structured entities or operating entities which was controlled through entrusted operations*

The Company has determined to include 30 structured entities (which are managed by the Company's subsidiaries) in its scope of financial statements consolidation, considering the variable returns to which the companies in the consolidated financial statement are entitled and the risks to which they are exposed from such structured entities.

Section V SIGNIFICANT EVENTS

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS COMMONLY QUESTIONED BY MEDIA

The Company was not involved in any material litigation and arbitration and did not have matters commonly questioned by media during the Reporting Period.

II. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

The Company had no bankruptcy and restructuring related matters during the Reporting Period.

III. ASSETS TRANSACTIONS AND MERGER OF COMPANIES

The Company had no material asset transactions or mergers of companies during the Reporting Period.

IV. EQUITY INCENTIVES OF THE COMPANY AND ITS EFFECT

During the Reporting Period, the Company did not implement equity incentive plan.

Haitong International Securities, a subsidiary of Haitong International Holdings, adopted a share option scheme on 23 August 2002, which was valid and effective for a period of 10 years commencing from the date of adoption and expired on 22 August 2012. At the 2014 annual general meeting, the Company considered and passed the Resolution on Establishing Share Option Scheme of Haitong International Securities Group Limited. At the extraordinary general meeting held on 8 June 2015, Haitong International Securities considered and approved the adoption of a new share option scheme, which is valid and effective for a period of 10 years commencing from the date of adoption. Such share option scheme may issue a total of up to 212,924,439 shares. As of 30 June 2016, Haitong International Securities has granted and got a total of accepted 18,000,000 share options under the scheme. (For more details, please see 2016 interim report of Haitong International Securities)

Haitong International Securities adopted a share award scheme on 19 December 2014 for a period of 10 years commencing from the date of adoption. The total number of award shares authorised to be granted under the share award scheme shall not exceed 217,248,566. As of 30 June 2016, Haitong International Securities has granted 7,865,506 award shares under the share award scheme. (For more details, please see 2016 interim report of Haitong International Securities)

Haitong UT, a subsidiary of Haitong International Holdings, adopted a share option incentive scheme on 27 May 2014, which is valid for a period of five years. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical and business personnel of Haitong UT and its subsidiaries as determined by the board of directors of Haitong UT, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme. On 19 January 2015, the board of directors of Haitong UT resolved to offer to allocate share options to 28 qualified participants (grantees) under such scheme, to subscribe for a total of up to 85,980,375 ordinary shares in the share capital of Haitong UT according to the share option scheme. The validity period of such options are within five years from the actual grant date, and the exercise price of the first batch of the options is US\$0.4552 per share option, and the exercise price of the subsequent batches of the options shall increase by 8% every year based on the exercise price of the first batch of the options.

Section V SIGNIFICANT EVENTS

V. MATERIAL RELATED PARTY TRANSACTION

✓ Not applicable

(I) Daily related party transaction

During the Reporting Period, the Company carried out daily related party transactions strictly according to the Resolution on Projected Daily Related Party Transactions of the Company for the Year 2016 considered and passed at the 2015 annual general meeting, and relevant information on implementations was as follows:

1. *Related party transactions with BNP Paribas Investment Partners BE Holding SA and its related companies*

Category of Transactions	Contents of Transactions	Description of Transactions	Actual Transaction Volume in the First Half of 2016 (Unit: RMB)	Proportion in Same Type of Business (%)
Services for Securities and Financial Products	Fees and commission income	Mainly including sales service fees, investment consultation service fees, wealth management fees for designated accounts	7,541,255.70	0.93%
	Business and management expenses	Mainly including investment consultation service fees, and fees for sales and maintenance of funds thus paid	615,399.61	0.01%
	Accounts receivable	Mainly representing accounts receivable from businesses such as investment consultation	3,830,701.06	0.04%
	Accounts payable	Mainly including accounts payable incurred for businesses such as maintenance of fund clients	322,577.96	0.01%
Trading in Securities and Financial Products	Fees and commission income	Mainly including fees and commission income from securities trading	3,903,817.00	0.10%

2. *Shanghai Shengyuan Real Estate (Group) Co., Ltd.*

Category of Transactions	Contents of Transactions	Description of Transactions	Actual Transaction Volume in the First Half of 2016 (Unit: RMB)	Proportion in Same Type of Business (%)
Trading in Securities and Financial Products	Fees and commission income	Mainly including fees and commission income from securities trading	370.35	0.00%

Section V SIGNIFICANT EVENTS

3. *Related party transactions with companies (other than the Company and its subsidiaries), where the Company's directors, supervisors and senior management hold positions as directors or senior management, and other related corporate legal persons*

Category of Transactions	Contents of Transactions	Description of Transactions	Actual Transaction Volume in the First Half of 2016 (Unit: RMB)	Proportion in Same Type of Business (%)
Services for Securities and Financial Products	Fees and commission income	Mainly including income from agency sales of fund products, investment consultation service fees, asset management fees, income from securities underwriting	16,436,733.26	2.03%
	Business and management expenses	Mainly including consultation fee and costs of sales paid to the related parties	16,933.14	0.00%
Trading in Securities and Financial Products	Fees and commission income	Mainly including fees and commission income from securities trading	33,390,580.31	0.85%
	Interest income	Mainly including interest income from stock-pledged repurchase, resale or repurchase in the interbank market, return swap, and other businesses	39,355.75	0.00%
	Interest expense	Mainly including interest expenses incurred for deposits from clients	9,031.06	0.00%
	Account from securities agency trading	Mainly including assets such as margin deposits from clients	7,560.07	0.00%
	Short-term financing bills payables	Mainly including subscription for income receipts	148,795,676.00	0.82%

Section V SIGNIFICANT EVENTS

(II) Related party debts and liabilities

Unit: Yuan Currency: RMB

Related parties	Related relationship	Capital provided to related parties		Capital provided to the Company from related parties			
		Balance at the beginning of the period	Amount incurred	Balance at the end of the period	Balance at the beginning of the period	Amount incurred	Balance at the end of the period
Shanghai Lansheng Corporation	Others	-	-	-	0	148,795,676	148,795,676
Total		-	-	-	0	148,795,676	148,795,676
Reason for related party debts and liabilities		Income receipts					
Repayment status for related party debts and liabilities		None					
Undertakings relating to related party debts and liabilities		None					
Effect of related party debts and liabilities on operational results and financial conditions of the Company		The related party debts and liabilities above have no adverse effect on operational results and financial conditions of the Company.					

Section V SIGNIFICANT EVENTS

VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1 Trust, contracting and leasing matters

During the Reporting Period, the Company was not involved in any material trust, contracting or leasing matters.

2 Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship between the guarantor and the listed company	Party guaranteed	External guarantees provided by the Company (excluding guarantees for subsidiaries)						Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counter-guarantee exists	Related parties guarantee or not	Related relationship
			Amount of guarantee	Date of provision of guarantee (signing date of agreement)	Commencing date of guarantee	Expiry date of guarantee	Guarantee type	Guarantee or not						
Total amount of guarantees during the Reporting Period (excluding guarantees for subsidiaries)														
Total balance of guarantee at the end of Reporting Period (A) (excluding guarantees for subsidiaries)														
Guarantees provided by the Company for subsidiaries														
Total amount of guarantees for subsidiaries during the Reporting Period														7,156,987,146
Total balance of guarantee for subsidiaries at the end of Reporting Period (B)														27,197,640,491
Total amount of guarantees provided by the Company (including those for subsidiaries)														
Total amount of guarantees (A+B)														27,197,640,491
Total amount of guarantees over net assets of the Company (%)														25.88
Including:														
Amount of guarantees provided for shareholders, de facto controllers and their related parties (C)														
Amount of debt guarantees directly or indirectly provided for parties with the gearing ratio exceeding 70% (D)														10,263,569,801
Amount of the portion of total guarantees exceeding 50% of net assets (E)														
Total amount of above three types of guarantees (C+D+E)														10,263,569,801
Explanations on outstanding guarantee which may undertake joint and several liability for repayment														

Explanations on guarantee

1. On 9 February 2015, the first extraordinary general meeting for 2015 and the first A/H shareholders' class meetings for 2015 considered and passed the Resolution on Increase in Quota of External Guarantee, whereby the Company was approved to provide joint and several guarantee for the offshore wholly-owned subsidiary(ies) of the Company for the issue of offshore debt financing instruments on a one-off or multiple issuances or multi-tranche issuances basis, through public or non-public offerings, and the aggregate size of the offshore corporate debt financing instruments should not exceed 50% of the net assets of the Company as at the end of the latest period.

On 5 June 2015, the sixth meeting (extraordinary meeting) of the sixth session of the Board considered and passed the Resolution on Provision of Joint and Several Guarantee for Issuance of Euro Bonds by Wholly-owned Offshore Subsidiary.

Due to actual condition of such issuance, it has been completed in two tranches, and two Deeds of Guarantee were signed. 1) The Company signed the first Deed of Guarantee on 18 May 2016, pursuant to which, the Company provided joint and several guarantee for the issue of EUR100 million 1.60 per cent. bonds due 2021 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company). 2) The Company signed the second Deed of Guarantee on 26 May 2016, pursuant to which, the Company provided joint and several guarantee for the issue of EUR120 million 1.60 per cent. bonds due 2021 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company).

Section V SIGNIFICANT EVENTS

2. On 30 March 2016, the fifteenth meeting of the sixth session of the Board considered and passed the Resolution on Providing Financing Guarantees for Subsidiaries. On 26 May 2016, the 2015 annual general meeting of the Company considered and passed the Resolution on Authorisation to the Board to Determine Provision of Guarantees for Subsidiaries of the Company, whereby the Company was approved to provide joint and several guarantees for its wholly-owned subsidiaries (including those with a gearing ratio of more than 70%) and controlling subsidiaries in respect of their issuance of onshore or offshore debt financing instruments (including but not limited to bonds, subordinated bonds, ultra short-term financing bills, short-term financing bills, medium-term notes, notes and establishment of note programmes) on a one-off or multiple issuance or multi-tranche issuance basis through public offerings or private placements, as well as domestic or overseas bank loans (including but not limited to bank credit, bank loans and syndicated loans), and the aggregate amount of the guarantees and the individual amount of any guarantee provided by the Company shall not exceed 50% and 10% of the Company's audited net assets as at the end of the latest accounting period, respectively.

On 31 May 2016, the Company signed Guarantee Agreement and provided joint and several guarantee in respect of the syndicated loans of EUR750 million for Haitong Investment Ireland Public Limited Company, its indirect wholly-owned offshore subsidiary ("this guarantee"). This new financing was made for the purpose of replacing the former Euro loan of EUR750 million ("NB loan") provided by Novo Banco, S.A. ("NB") to Banco Espírito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A.), the offshore subsidiary of the Company. The resolution determined that the principal amount of the guaranteed new financing shall not exceed EUR800 million, with a guarantee term of up to 5 years, and will repeal the former guarantee provided by the Company for NB loan.

Meanwhile, Haitong Bank signed bilateral loan agreement with the guaranteed party and repaid the former NB loan with the proceeds in advance according to the agreement entered into with NB, thus the former guarantee obligation of the Company as to NB loan was discharged. Such discharged guarantee was under a guarantee agreement signed by the Company on 7 September 2015 for the purpose of acquiring Haitong Bank, the Company was the guarantor, Banco Espírito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A.) was the guaranteed party and NB was the creditor, guarantee amount is EUR750 million (including principal and interest) and the guarantee period is 3 years.

The financing agreement related to this guarantee was signed on 31 May 2016, according to the guarantee provisions of the agreement, the Company is the guarantor, Haitong Investment Ireland Public Limited Company is the guaranteed party, the London Branch of China Construction Bank Corporation is the lead bank and Frankfurt Branch of China Construction Bank Corporation is the agent bank, guarantee amount is EUR750 million (including principal, interest, initiation fee and other fees to be borne by the borrower) and the guarantee period is 5 years.

3. The third meeting (extraordinary meeting) of the sixth session of the Board considered and passed the Resolution on Provision of Joint and Several Guarantee for Issuance of U.S. Dollar Bonds by Wholly-owned Offshore Subsidiary. The Company provided joint and several guarantee for the issue of USD670 million 3.5 per cent. bonds due 2020 by Haitong International Finance Holdings 2015 Limited, an offshore wholly-owned subsidiary of the Company.

Section V SIGNIFICANT EVENTS

4. In October 2013, the Company issued the first tranche of offshore bonds (USD900 million) and the issuer is Haitong International Finance Holdings Limited, an indirect wholly-owned subsidiary of the Company. In order to enhance the repayment security of the first phase of offshore bonds and lower the coupon rate, according to the authorisation of the Company's first extraordinary general meeting in 2013, the authorised persons of the Company confirmed that guarantee would be provided for the first phase of offshore bonds by Bank of China Singapore Branch by way of opening standby letter of credit. Meanwhile, according to the resolution of the twenty-first meeting of the fifth session of the Board, the Company issued to Bank of China a letter of counter-guarantee regarding the standby letter of credit for the issuance of first phase of offshore bonds. The amount of counter-guarantee included the principal, interest and other relevant expenses of the issued first phase of offshore bonds. The guarantee is with joint and several liabilities and it ends on the date which is six months from the expiry of the standby letter of credit.
5. The Resolution on Providing Guarantee for the Net Assets of Shanghai Haitong Securities Asset Management Co., Ltd. was considered and passed at the twelfth meeting of the fifth session of the Board, whereby the Company was approved by the Board to provide, at any time, guarantees of no more than RMB1.5 billion for the net assets of HT Asset Management, to ensure that it maintains adequate net capital. On 9 June 2013, CSRC Shanghai Branch issued the Letter on No-objection to the Issuance of Net Capital Guarantee Commitment Letter by Haitong Securities Co., Ltd. to Shanghai Haitong Securities Asset Management Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No. 145), consenting the Company's providing guarantee commitment of RMB800 million to HT Asset Management. The Company has deducted net capital of RMB800 million and correspondingly increased net capital of HT Asset Management by RMB800 million.

Notes: During the Reporting Period, the external guarantees provided by the Company's subsidiary Haitong Bank due to engagement of businesses such as letter of credit (not including those guarantees for subsidiaries) amounted to EUR58,438,822. Based on the median exchange rate for Inter-bank Foreign Exchange Market on 30 June 2016 of EUR1 to RMB7.3750, such amount is equivalent to RMB430,986,312.25. As at the end of the Reporting Period, the total balance of external guarantees (not including those guarantees for subsidiaries) was EUR233,586,933.87, equivalent to RMB1,722,703,637.29 based on the median exchange rate for Inter-bank Foreign Exchange Market on 30 June 2016 of EUR1 to RMB7.3750.

During the Reporting Period, the guarantees provided by the Company's subsidiary Haitong Internal Securities for its operating subsidiaries or SPV due to borrowings, debt issue or business requirements amounted to HK\$6,052,780,000. Based on the median exchange rate published by the China Foreign Exchange Trading System on 30 June 2016 of HK\$1 to RMB0.85467, such amount is equivalent to RMB5,173,129,483. As at the end of the Reporting Period, the total balance of internal guarantees was HK\$58,927,138,500, equivalent to RMB50,363,257,462 based on the median exchange rate published by the China Foreign Exchange Trading System on 30 June 2016 of HK\$1 to RMB0.85467.

3 Other material contract or transaction

During the Reporting Period, there was no other discloseable material contract of the Company that was not disclosed.

VII. PERFORMANCE OF UNDERTAKINGS

During the Reporting Period, the Company had no relevant undertakings.

Section V SIGNIFICANT EVENTS

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Explanation of appointment and dismissal of accounting firms:

During the Reporting Period, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as its external auditor for 2016, which will be responsible for provision of relevant domestic audit services and internal control audit in accordance with the PRC GAAP, for a term of one year. In addition, Deloitte Touche (Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)) was re-appointed as the Company's external auditor for 2016 for a term of one year, who will be responsible for provision of relevant audit and review services in accordance with the IFRS.

IX. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS WHO HELD MORE THAN 5% OF SHARES, ACTUAL CONTROLLER AND ACQUIRER

As at the end of the Reporting Period, the Company had neither shareholder who directly held more than 5% of its shares, nor actual controller. During the Reporting Period, none of the following circumstances happened to the Company, the Board, Directors, Supervisors or senior management: being investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative departments and publicly condemned by a stock exchange. None of the Directors, Supervisors and senior management of the Company violated any rules or regulation with regard to trading of the shares of the Company.

X. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company and its subsidiaries did not issue any convertible bonds.

XI. CORPORATE GOVERNANCE

During the Reporting Period, the Company's operation and management are standardized and in order and in compliance with the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, the Regulatory Rules for Securities Companies, and laws and regulations of CSRC. In the meantime, the Company has since the listing of its H Shares on Hong Kong Stock Exchange on 27 April 2012 strictly complied with the Code.

Code provision A.2.1 of the Code provides that, amongst others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 29 July 2016, chairman of the Board, Mr. Wang Kaiguo, submitted resignation report to the Board, requesting to resign from the office of director, chairman of the Board, legal representative and authorised representative (for the purpose of Rule 3.05 of Hong Kong Listing Rules) of the Company, as well as the office of chairman of the Development Strategy and Investment Management Committee due to career development reason. After resignation, he would no longer hold any other position in the Company. Whereas the election of a new chairman needs to go through statutory procedures, all Directors recommended Mr. Qu Qiuping, a Director and the general manager of the Company, to perform the duties of chairman, legal representative and authorised representative with respect of Hong Kong Stock Exchange till new chairman is elected. Save as disclosed above, the Company observed all code provisions under the Code, if applicable, and followed most of the requirements of recommended best practices set out therein during the Reporting Period and up to the date of publication of this Report.

Section V SIGNIFICANT EVENTS

During the Reporting Period, the Company convened 14 meetings in total comprising one annual general meeting, two Board meetings, two Supervisory Committee meetings, three audit committee meetings, two working conferences of independent non-executive Directors on annual report, two nomination, remuneration and assessment committee meetings, one development strategy and investment management committee meeting, and one compliance and risk control committee meeting.

During the Reporting Period, according to relevant rules of CSRC, Shanghai Stock Exchange and Hong Kong Stock Exchange and the actual conditions of the Company, the Company scrutinized its corporate governance documents. The Resolution on Amendments to Administrative Measures on Information Disclosure of Haitong Securities Co., Ltd. and the Resolution on Amendments to Administrative Measures on Related Party Transactions of Haitong Securities Co., Ltd. were considered and approved at the fifteenth meeting of the sixth session of the Board, thereby the Administrative Measures on Information Disclosure of Haitong Securities Co., Ltd. and Administrative Measures on Related Party Transactions of Haitong Securities Co., Ltd. were amended and improved.

On 29 July 2016, the Company convened the seventeenth meeting (extraordinary meeting) of the sixth session of the Board, which considered and approved the Resolution on the Amendments to the Articles of Association and Rules of Procedure for Shareholders' General Meetings, and the amended versions are subject to consideration and approval at general meeting and approval by securities regulatory authorities before their taking effect.

(I) Shareholders and general meetings

The Company convenes general meetings in accordance with the requirements under the Articles of Association and Rules of Procedure for Shareholders' General Meetings, to ensure that all shareholders are treated equally and are able to fully exercise their rights.

(II) Directors and the Board

The Company engages and changes its Directors strictly according to the relevant provisions under the Articles of Association. The number, composition and qualification of the Directors are in compliance with the applicable laws and regulations. As at 30 June 2016, the Board comprised 13 Directors, including two executive Directors, six non-executive Directors and five independent non-executive Directors. All Directors are able to perform their obligations in due diligence and protect the interests of the Company and all shareholders. The Board has established the following committees, being development strategy and investment management committee, audit committee, compliance and risk control committee, and nomination, remuneration and assessment committee. Each committee has specific work allocations and clear accountabilities and operates in high efficiency. Out of these four committees, except for the development strategy and investment management committee, which is chaired by the chairman of the Board, each of the other three committees is chaired by an independent non-executive Director.

There is an audit committee under the Board, which is in compliance with relevant requirements of CSRC and Shanghai Stock Exchange and the requirements of Chapter 3 of Hong Kong Listing Rules. The audit committee comprises seven members, namely, Mr. Zhang Ming (committee chairman), Mr. Liu Cheeming, Mr. Li Guangrong, Mr. Feng Lun, Mr. Xu Chao (resigned on 29 July 2016), Mr. Wang Hongxiang and Ms. Zhang Xinmei. The audit committee is mainly responsible for facilitating communication between the Company's internal and external auditors, monitoring and reviewing, and providing professional advices to the Board. The audit committee has reviewed and confirmed the 2016 interim financial report.

Section V SIGNIFICANT EVENTS

(III) Supervisors and Supervisory Committee

As of 30 June 2016, the Supervisory Committee comprised 12 Supervisors, including five employee representative Supervisors and seven non-employee representative Supervisors. The qualification and composition of Supervisors are in compliance with applicable laws and regulations. All Supervisors, holding themselves accountable to the shareholders, are able to perform their obligations in due diligence, monitor the legality and compliance of the performance of duties by the Company's finance department, Board members and senior management and provide recommendations and suggestions to the Board and senior management regarding relevant matters.

(IV) Senior management

Procedures for the appointment of the Company's senior management are in compliance with the PRC Company Law and the Articles of Association. The Company's senior management can operate the business in compliance with laws and regulations and authorisations from the Board, with a view towards maximizing shareholders' value and social benefits.

(V) Stakeholders

The Company fully respects and protects the legal interests of all of its stakeholders and, together with them, promotes the Company's sustainable and healthy development.

(VI) Information disclosure and investor relations management

During the Reporting Period, the Company was able to disclose relevant information in a manner that is true, accurate, complete, timely and fair and in strict accordance with the applicable laws, regulations and regulatory documents in the PRC and Hong Kong where its shares are listed. The Company can strictly comply with relevant provisions of Insider Registration System, strengthen the management of the Company's inside information and well organize the insider registration. The Company managed its investor relations in a manner of integrity and professionalism. The Company's senior management participated in investors services in person and the Company has designated a dedicated investor relations service team. In addition, the Company utilized various forms of communication, including setting up a hotline for investors, holding online interactions, e-mails, telephone conferences, on-site receptions, results briefing, investor presentation, road shows, E-interactive platform launched by Shanghai Stock Exchange etc., to strengthen its communication with its domestic and foreign investors, thereby further enhancing the Company's transparency.

Section V SIGNIFICANT EVENTS

(VII) Building of compliance system

During the Reporting Period, the Company strictly complied with the requirements of CSRC and taking into account its actual situation, continuously improved its compliance management system. The Company's general compliance officer strictly performed compliance management duties according to applicable laws. The Company's shareholders, Directors and senior management had neither violated stipulated duties or procedures, nor given direct instructions to the general compliance officer or interfered with his work. The Company provided human resource, material resource, financial resource and technical support to its general compliance officer to fully carry out his duties to ensure effective compliance management. During the Reporting Period, the Company continued to implement internal control standardization, strengthen its internal control system building, and strictly carry out compliance management concerning all of its business lines. It reinforced prior review, monitoring and inspection in the course of compliance issue and assessment after the issue, and strived to intensify the execution of various systems, internal control procedures and risk management measures, strengthened compliance training of its staff, emphasized and created a corporate compliance culture that, led by the example of its senior management, encourages full and active compliance by all of its employees and compliance creates value. It enhanced staff's compliance awareness and risk management capacity in order to establish a corporate culture that values compliance operation in accordance with the law.

XII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) Analysis and explanation of causes and effects of changes in terms of accounting policies, accounting estimates or accounting methods of the Board

✓ Not applicable

(II) Analysis and explanation of the causes and effects of important corrections of previous errors of the Board

✓ Not applicable

(III) Others

1. Change of Business License of the Company

Pursuant to the Notice of the State Administration for Industry and Commerce, the State Commission Office for Public Sector Reform (China), the National Development and Reform Commission, the State Administration of Taxation, the General Administration of Quality Supervision, Inspection and Quarantine and the Legal Affairs Office of the State Council on Implementing the Opinions of the General Office of the State Council on Accelerating the "Combination of Three Licenses into One" Registration System Reform (Gong Shang Qi Zhu Zi [2015] No. 121), the Company has completed the combination of three licenses (being enterprise business license, organization code certificate and tax registration certificate) into one license, the unified social credit code of 9131000013220921X6 took effects from 16 August 2016, whereas the original business license registration number of 310000000016182 ceased to be effective.

Section V SIGNIFICANT EVENTS

2. Investigation of the Company

(1) Receipt of Advance Notice of Administrative Penalty from the CSRC

On 24 August 2015, the Company received from CSRC the Notice of Investigation (Jin Zheng Diao Cha Zi No. [2015011]). CSRC had decided to carry out an investigation against the Company pursuant to the applicable provisions of the PRC Securities Law for suspected violations of the laws and rules by the Company in relation to its failure to review and verify the identity of clients in accordance with the rules. For details, please refer to the Company's announcement dated 25 August 2015. On 10 September 2015, the Company received CSRC's Advance Notice of Administrative Penalty (Chu Fa Zi [2015] No. 73) on this issue. Hangzhou Jiefang Road Securities Business Department and Shanghai Jianguo West Road Securities Business Department opened up dedicated lines connected to the HOMS system of Hangzhou Hundsun Internet Technology Services Co., Ltd. (杭州恒生網絡技術服務有限責任公司). Two dedicated lines were brought online after concurrent review and assessment by the retail and internet finance department, the IT management department, and the compliance and risk management headquarters of the Company. The Company failed to conduct software verification and confirmation with respect to the aforementioned external third party transaction terminal software and failed to implement effective management measures on external systems, and lacked understanding on the identity of relevant clients. As a result, CSRC proposed to impose penalty on the Company and responsible personnel. For details, please refer to the Company's announcement dated 11 September 2015. The Company and Mr. Song Shihao made a statement and defended themselves against this penalty. The Company has taken corrective measures in accordance with the latest requirements of the regulatory authorities and accounted for the full amount in the profit and loss in 2015 in the principle of prudence. So far there is no further progress in respect of this matter.

(2) Receipt of Investigation Notice from CSRC

On 26 November 2015, the Company received an investigation notice (Ji Cha Zong Dui Diao Cha Tong Zi No.153122) from CSRC. As the Company was suspected to have breached the relevant provisions of the Regulations on the Supervision and Administration of Securities Companies, CSRC has decided to initiate investigation proceedings against the Company in accordance with the PRC Securities Law. The Company paid great attention to this investigation and immediately conducted an urgent internal check on relevant businesses of the Company. The Company published the Announcement on Receipt of Investigation Notice from CSRC on 27 November 2015 in compliance with relevant rules of information disclosure of listed companies. After that, the Company continued further checks on relevant businesses of the Company centred on this investigation. On 28 November 2015, after various checks and verifications, it is understood that the Company was suspected to have breached the provisions of "failing to enter into business contract with customer in accordance with rules" under Article 84 of the Regulations on the Supervision and Administration of Securities Companies in its margin financing and securities lending business, and thus CSRC has decided to initiate investigation against the Company. For details, please refer to the Company's announcement dated 29 November 2015. No material violation or non-compliance has been discovered by the Company upon internal checks. The Company will continue to fully cooperate with CSRC in the investigation and strictly fulfill its disclosure obligations in accordance with relevant rules going forward. So far there is no further progress in respect of this matter.

Section V SIGNIFICANT EVENTS

3. *Subsidiaries' Bonds Issuance*

- (1) *Issuance of EUR220 million Five-year Offshore Bonds by Haitong International Holdings*

The wholly-owned subsidiary of Haitong International Holdings (a wholly-owned subsidiary of the Company), Haitong International Finance Holdings 2015 Limited, successfully completed the issuance of EUR220 million five-year offshore bonds in May 2016. The bond issue was guaranteed by Haitong Securities.

- (2) *Issuance of EUR80 million Perpetual Subordinated Bonds by Haitong Bank*

The wholly-owned subsidiary of Haitong International Holdings (a wholly-owned subsidiary of the Company), Haitong Bank, successfully completed the issuance of EUR80 million perpetual subordinated bonds in May 2016.

- (3) *Various Issuances by Haitong UniTrust Leasing*

In January 2016, Haitong UniTrust Leasing, a wholly-owned subsidiary of the Company, issued the first tranche of medium term notes for 2016 amounting to RMB400 million with a maturity period of three years in PRC interbank market and in March 2016, it issued the second tranche of medium term notes ("Perpetual Medium Notes") for 2016 amounting to RMB1.2 billion with a maturity period of 5+N years in PRC interbank market. Its RMB1.2 billion asset-backed securitization products with a maturity period of 3+3 years were listed in the OTC market of Haitong Securities in April 2016. It completed the registration of RMB1.2 billion medium term notes with a maturity period of 3+2 years in PRC interbank market in May 2016 and it completed the issuance of the third tranche of medium term notes for 2016 amounting to RMB600 million in June 2016.

4. *Capital Increase of Subsidiaries and Non-controlling Companies*

- (1) *Completion of Capital Increase of Fullgoal Fund*

In April 2016, the Report on Capital Increase of Fullgoal Fund was passed at the annual general meeting for 2016 of Fullgoal Fund, a non-controlling company of the Company. Fullgoal Fund transferred the statutory surplus reserve with amount of RMB120 million to its share capital, as a result, the registered capital was increased to RMB300 million and the investment proportion of each shareholder remained unchanged.

- (2) *Completion of Capital Increase of Haitong Resource Management*

According to the Resolution on Capital Increase of the Wholly-owned Subsidiary Shanghai Haitong Resource Management Co., Ltd. by Haitong Futures considered and passed at the fifteenth meeting of the sixth session of the Board, Haitong Futures increased capital contributions to Shanghai Haitong Resource Management Co., Ltd. ("Haitong Resource Management") by RMB100 million in May 2016. Upon completion of capital increase, Haitong Resource Management's registered capital increased from RMB100 million to RMB200 million, and the industrial and commercial filing of corporate information change has been completed.

Section V SIGNIFICANT EVENTS

5. Acquisition and Incorporation of Subsidiaries

- (1) *Incorporation of Haitong Kunlun Equity Investment Management (Shanghai) Co., Ltd. (海通昆侖股權投資管理(上海)有限公司)*

Haitong M&A Capital Management (Shanghai) Limited (海通併購資本管理(上海)有限公司), a controlling subsidiary of the Company, and Kunlun Trust Co, Ltd. (昆侖信託有限責任公司) jointly established Haitong Kunlun Equity Investment Management (Shanghai) Co., Ltd. with a registered capital of RMB20.00 million. Haitong M&A Capital Management (Shanghai) Limited has completed its capital contribution of RMB11.00 million in May 2016.

- (2) *Incorporation of Guangdong South Media Integration Development Investment Fund (廣東南方媒體融合發展投資基金)*

Haitong Capital, a wholly-owned subsidiary of the Company, and other companies including Huaxia Life Insurance Co., Ltd. (華夏人壽保險股份有限公司) jointly sponsored and established Guangdong South Media Integration Development Investment Fund (Limited Partnership) (廣東南方媒體融合發展投資基金(有限合夥)), which obtained its business license on 22 March 2016. Its business scope includes: equity investment, investment management service and investment consultancy service (excluding the consultancy of finance, securities and futures). Haitong Creative Capital Fund Management Co., Ltd. acts as a general partner of Guangdong South Media Integration Development Investment Fund (Limited Partnership).

- (3) *Hong Kong Subsidiary of Haitong Futures*

After the approval from CSRC, Haitong Futures established a wholly-owned subsidiary Haitong Futures Hong Kong Limited with a registered capital of HKD30.00 million in Hong Kong. On 7 July 2016, Haitong Futures Hong Kong Limited obtained the following business licenses issued by Securities and Futures Commission in Hong Kong: Type 2: dealing in futures contracts and Type 5: advising on futures contracts.

6. Other Matters of Subsidiaries

- (1) *Haitong Futures' Completion of Shareholding Reform*

On 30 March 2016, Haitong Futures convened the second general meeting for 2016, which passed the Resolution on Converting a Limited Company into a Joint-stock Company. On 31 March 2016, Haitong Futures convened the inaugural meeting and the first general meeting, which resolved that all existing shareholders of Haitong Futures would be regarded as sponsors of the joint-stock company. On 22 April 2016, Haitong Futures obtained the business license issued by Shanghai Municipal Administration for Industry and Commerce.

Section VI CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. *Table of changes in shares*

There were no changes in total shares or share capital structure of the Company during the Reporting Period.

2. *Particulars about changes in shares*

Nil

3. *Effect of changes in shares on financial indicators such as earnings per share and net assets per share, if any, for the period from the end of the Reporting Period to the date of publication of the interim report*

There were no changes in the shares of the Company during the period from the end of the Reporting Period to the date of publication of this Report.

4. *Other disclosure deemed necessary by the Company or required by securities regulatory authorities*

Nil

(II) Changes in restricted shares

All shares of the Company are circulating shares not subject to trading moratorium.

II. PARTICULARS ABOUT SHAREHOLDERS

(I) Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period

295,821 (among which 295,366 were holders of A Shares and 455 were holders of H Shares)

Section VI CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

- (II) The table below sets out the shareholdings of the top ten shareholders, the top ten shareholders of circulating shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Unit: share

Name of shareholders (Full name)	Shareholdings of the top ten shareholders				Shares subject to pledge or freeze		
	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Status of shares	Number of shares	Nature of shareholders
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	-460,810	3,408,692,373	29.64	0	Nil		Foreign legal person
Bright Food (Group) Co., Ltd.	0	402,150,000	3.50	0	Pledged	210,000,000	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	0	400,709,623	3.48	0	Nil		State-owned legal person
China Securities Finance Corporation Limited	23,462,413	385,715,584	3.35	0	Nil		Others
Shanghai Electric (Group) Corporation	-251,721	334,281,551	2.91	0	Nil		State
Shenergy Group Company Limited	0	322,162,086	2.80	0	Nil		State-owned legal person
Shanghai Jiushi (Group) Co., Ltd.	0	235,247,280	2.05	0	Nil		State-owned legal person
Shanghai Bailian Group Co., Ltd.	0	214,471,652	1.86	0	Nil		Domestic non-state-owned legal person
Wenhui-Xinmin United Press Group	0	160,829,853	1.40	0	Nil		State-owned legal person
Shanghai Lansheng Corporation	7,375,241	159,108,941	1.38	0	Nil		State-owned legal person

Section VI CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of circulating shares held not subject to trading moratorium		Type and number of shares	
			Type	Number
HKSCC Nominees Limited	3,408,692,373		Foreign shares listed overseas	3,408,692,373
Bright Food (Group) Co., Ltd.	402,150,000		RMB denominated ordinary shares	402,150,000
Shanghai Haiyan Investment Management Company Limited	400,709,623		RMB denominated ordinary shares	400,709,623
China Securities Finance Corporation Limited	385,715,584		RMB denominated ordinary shares	385,715,584
Shanghai Electric (Group) Corporation	334,281,551		RMB denominated ordinary shares	334,281,551
Shenergy Group Company Limited	322,162,086		RMB denominated ordinary shares	322,162,086
Shanghai Jiushi (Group) Co., Ltd.	235,247,280		RMB denominated ordinary shares	235,247,280
Shanghai Bailian Group Co., Ltd.	214,471,652		RMB denominated ordinary shares	214,471,652
Wenhui-Xinmin United Press Group	160,829,853		RMB denominated ordinary shares	160,829,853
Shanghai Lansheng Corporation	159,108,941		RMB denominated ordinary shares	159,108,941
Explanation to the related party relationships or concerted actions of the aforesaid shareholders				
Explanation to preferential shareholders with restoration of voting rights and their shareholdings				

- Notes:
1. Among the H shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.
 2. In the above table, the shares held by HKSCC Nominees Limited are foreign shares listed overseas (H Shares) and the shares held by other shareholders are RMB denominated ordinary A Shares.
 3. The nature of the Company's A shareholders represents that of accounts registered by such shareholders in Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
 4. As the shares of the Company are subject of margin financing and securities lending, the number of shares held by a shareholder is calculated based on the aggregated number of shares and interests held by such shareholder through ordinary securities accounts and credit securities accounts.

Section VI CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

(III) Strategic investors or general legal person having become one of the top ten shareholders as a result of placing of new shares

✓ Not applicable

III. CHANGES IN THE CONTROLLING SHAREHOLDERS OR ACTUAL CONTROLLERS

Due to the diverse shareholding of the Company, no shareholder directly held more than 5% of the shares of the Company (excluding HKSCC Nominees Limited). HKSCC Nominees Limited held shares on behalf of the non-registered H shareholders.

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

As at 30 June 2016, so far as the Directors, having made all reasonable enquires, are aware, the following parties (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

No.	Name of substantial shareholders	Type of shares	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 3)/short position (Note 4)/ interest in lending pool
1.	Bright Food (Group) Co., Ltd.	A Shares	Beneficial owner (Note 1)	402,150,000	3.50	4.97	Long position
2.	Shanghai Haiyan Investment Management Company Limited	A Shares	Beneficial owner (Note 1)	400,709,623	3.48	4.95	Long position
3.	Maunakai Capital Partners (Hong Kong) Limited	H Shares	Investment manager	283,894,000	2.46	8.32	Long position
4.	BSA Strategic Fund I	H Shares	Beneficial owner	283,844,000	2.46	8.32	Long position
5.	Insight Capital Management (Hong Kong) Limited	H Shares	Investment manager	223,415,200	1.94	6.55	Long position
6.	Insight Phoenix Fund	H Shares	Investment manager	223,415,200	1.94	6.55	Long position
7.	Shi Jing	H Shares	Interests in controlled corporation (Note 2)	248,000,000	2.15	7.27	Long position
8.	Shi Yuzhu	H Shares	Interests in controlled corporation (Note 2)	248,000,000	2.15	7.27	Long position
9.	Vogel Holding Group Limited	H Shares	Beneficial owner (Note 2)	248,000,000	2.15	7.27	Long position
10.	BlackRock, Inc.	H Shares	Interests in controlled corporation	198,351,871	1.72	5.81	Long position
		H Shares	Interests in controlled corporation	666,400	0.00	0.01	Short position

Section VI CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Note 1: According to the information disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk), an aggregate of 482,686,582 A Shares are held by Bright Food (Group) Co., Ltd., and an aggregate of 416,420,568 A Shares are held by Shanghai Haiyan Investment Management Company Limited. Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between substantial shareholders' latest shareholdings in the Company and the shareholdings submitted to Hong Kong Stock Exchange.

Note 2: Such 248,000,000 shares represent the same block of shares.

Note 3: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares rises; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares rises.

Note 4: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe for the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines.

Save as disclosed above, as at 30 June 2016, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

Section VI CHANGES IN SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

As at 30 June 2016, according to the information obtained by the Company and so far as the Directors are aware, the following Director(s), Supervisor(s) or chief executive of the Company had the interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange:

No.	Name of directors	Type of share	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of	Long position (Note 1)/short position (Note 2)/interest in lending pool
						total issued A Shares/H Shares of the Company (%)	
1.	Liu Cheeming	H Shares	Beneficial owner	1,000,000	0.01	0.03	Long position

Note 1: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares rises; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares rises.

Note 2: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any listed securities of the Company or its subsidiaries (other than trading of the securities by the Company or its subsidiaries on behalf of the clients).

Section VII PREFERRED SHARES

During the Reporting Period, the Company did not have anything to report regarding preferred shares.

Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

(I) Changes in Shareholding of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period

✓ Not applicable

(II) Equity Incentives Granted to Directors, Supervisors and Senior Management during the Reporting Period

During the Reporting Period, no equity incentives were granted to the Directors, Supervisors and senior management.

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

Name	Position	Particulars of changes	Reasons for changes
Zhang Ming	Independent non-executive Director	Election	Mr. Zhang Ming has been elected as a Director of the sixth session of the Board at the 2015 annual general meeting of the Company, his qualification as director takes effect from 12 June 2016, and his term of office will be the same as the sixth session of the Board.
Lyu Changjiang	Independent non-executive Director	Resignation	Personal reason (career development).
Song Chunfeng	Supervisor	Election	Mr. Song Chunfeng has been elected as a Supervisor of the sixth session of Supervisory Committee at the 2015 annual general meeting of the Company, his qualification as supervisor takes effect from 11 July 2016, and his term of office will be the same as the sixth session of the Supervisory Committee.
Hu Jingwu	Supervisor	Resignation	Age reason.
Mao Yuxing	Chief Information Officer	Appointment	Appointment by the Board.

1. Changes in Directors

On 11 December 2015, the Company published an announcement in relation to resignation of independent non-executive Director. Mr. Lyu Changjiang tendered his resignation from the office of the independent non-executive Director of the sixth session of the Board, the chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee due to personal reason (career development). His resignation took effect upon the appointment of a new independent non-executive Director being approved at the general meeting of the Company and the qualifications of such independent non-executive Director approved by securities regulatory authorities (i.e. on 12 June 2016 when independent non-executive Director Mr. Zhang Ming took his office).

Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 30 March 2016, the Resolution on the Nomination of Mr. Zhang Ming as Candidate of Independent Non-executive Director was considered and approved at the fifteenth meeting of the sixth session of the Board. Mr. Zhang Ming was nominated to act as independent non-executive Director of the sixth session of the Board, and his term of office will be the same as the sixth session of the Board. Once his qualification as independent non-executive Director takes effect, he will take over the duties as the chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee. Such proposal was considered and approved at 2015 annual general meeting held on 26 May 2016. On 20 June 2016, the Company published the Update Announcement on Appointment of Independent Non-Executive Director, and the qualification of Mr. Zhang Ming was approved by securities regulatory authorities on 12 June 2016. On the same day, Mr. Zhang Ming started to perform the duties as independent non-executive Director, chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee.

As of 30 June 2016, the sixth session of the Board comprised 13 Directors, including two executive Directors, namely Mr. Wang Kaiguo and Mr. Qu Qiuping; six non-executive Directors, namely Ms. Yu Liping, Mr. Chen Bin, Mr. Xu Chao, Mr. Wang Hongxiang, Ms. Zhang Xinmei and Mr. Shen Tiedong; five independent non-executive Directors, namely Mr. Liu Cheeming, Mr. Xiao Suining, Mr. Li Guangrong, Mr. Zhang Ming and Mr. Feng Lun. The Directors were all elected by the shareholders at the general meeting of the Company for a term of three years, which may be subject to re-elections.

On 29 July 2016, the Resolution on Nomination of Directors was considered and approved at the seventeenth meeting (extraordinary meeting) of the sixth session of the Board. Chairman Mr. Wang Kaiguo submitted resignation report to the Board, requesting to resign from the office of director, chairman of the Board, legal representative and authorised representative (for the purpose of Rule 3.05 of Hong Kong Listing Rules) of the Company, as well as the office of chairman of the Development Strategy and Investment Management Committee due to career development reason. After resignation, he would no longer hold any other position in the Company. The Board approved to nominate Mr. Zhou Jie as the candidate of executive Director of the sixth session of the Board, and his term of office will be the same as the sixth session of the Board. His qualification as a Director is subject to approval by regulatory authorities. Such proposal is also subject to the consideration and approval of the general meeting of the Company. Mr. Xu Chao, a non-executive Director, resigned as a Director of the six session of the Board, member of the Development Strategy and Investment Management Committee and member of the Audit Committee due to change of job. The Board approved to nominate Mr. Xu Jianguo as the candidate of non-executive Director of the sixth session of the Board, which is subject to consideration and approval by shareholders at general meeting, and his qualification as a Director is subject to approval by regulatory authorities. After his qualification as Director takes effect, Mr. Xu Jianguo will take over the duties as the member of the Development Strategy and Investment Management Committee and the member of Audit Committee.

Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2. Changes in Supervisors

On 30 March 2016, the Resolution on Change of Supervisor was considered and approved at the eighth meeting of the sixth session of the Supervisory Committee and Mr. Hu Jingwu submitted his resignation as a Supervisor to the Supervisory Committee due to age reason; the Supervisory Committee recommended Mr. Song Chunfeng to be candidate of Supervisor of the sixth session of the Supervisory Committee of the Company. Such proposal was considered and approved at the 2015 annual general meeting held on 26 May 2016. On 11 July 2016, the Company published the Update Announcement on Appointment of Supervisor, pursuant to which the qualification of Mr. Song Chunfeng as a supervisor of securities company was approved by securities regulatory authorities and his appointment became effective on the same day.

As of 30 June 2016, the Supervisory Committee comprised 12 Supervisors, including seven non-employee representative Supervisors, namely, Mr. Shou Weiguang, Mr. Li Lin, Mr. Cheng Feng, Mr. Feng Huang, Mr. Xu Qi, Mr. Chen Huifeng and Ms. Zheng Xiaoyun, and five employee representative Supervisors, namely, Mr. Yang Qingzhong, Ms. Qiu Xiaping, Ms. Wang Meijuan, Ms. Hu Hairong and Mr. Song Shihao. Except for the employee representative Supervisors elected by the employee representatives meeting, non-employee representative Supervisors were elected by shareholders at the general meeting of the Company for a term of three years, which may be subject to re-elections.

3. Changes in senior management

On 22 April 2016, the Resolution on Appointment of Mr. Mao Yuxing as Chief Information Officer of the Company was considered and passed at the sixteenth meeting (extraordinary meeting) of the sixth session of the Board, which states that according to the Company's development strategy, the Company appointed Mr. Mao Yuxing as Chief Information Officer for the purpose of strengthening the role of support and safeguard of information technology to the Company's operations and management, introducing leading IT governance concept and technology in finance industry, and further promoting the construction of the Company's information system. His qualifications will take effect upon approval by regulatory authorities.

On 29 July 2016, the Resolution on Recommending Mr. Qu Qiuping to Perform the Duties of Chairman, Legal Representative of the Company and Authorised Representative with respect of Hong Kong Stock Exchange was considered and passed at the seventeenth meeting (extraordinary meeting) of the six session of the Board. As Mr. Wang Kaiguo resigned all positions in the Company, whereas the election of a new chairman needs to go through statutory procedures, all Directors recommended Mr. Qu Qiuping, a Director and the general manager of the Company, to perform the duties of chairman, legal representative and authorised representative with respect of Hong Kong Stock Exchange till new chairman is elected.

Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. OTHER INFORMATION

(I) Dealings in Securities by Directors, Supervisors and Relevant Employees

The Company has adopted the standards as set out in the Model Code as the code of conduct of the Company regarding securities transactions by the Directors, Supervisors and relevant employees. The Company, having made enquiries to all Directors and Supervisors, confirmed that they had been in compliance with the requirements of the Model Code, during the period from 1 January 2016 to 30 June 2016. The Company has not found any relevant employee violating the said guidelines.

(II) Material Changes in Relevant Information of Directors and Supervisors

Mr. Wang Kaiguo, a Director, has served as president of Shanghai Securities Association since June 2016.

Mr. Xu Chao, a Director, ceased to serve as any positions in Shanghai Electric (Group) Corporation and its subsidiaries since June 2016.

Mr. Wang Hongxiang, a Director, ceased to serve as the deputy chief accountant and manager of finance department of Shenergy Group Company Limited since July 2016.

Mr. Xiao Suining, an independent non-executive Director, has served as the independent non-executive director of Nan Hai Corporation Limited (HK.0680) and Sino-i Technology Limited (HK.0250) since April 2016.

Ms. Qiu Xiaping, a Supervisor, ceased to serve as the general manager of Planning and Finance Department of the Company since May 2016.

According to Rule 13.51B of the Hong Kong Listing Rules, save as disclosed above, no other material changes in relevant information of the Directors and Supervisors occurred during the Reporting Period.

(III) Particulars about Service Contracts with Directors and Supervisors

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into a contract with each of the Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations and the Articles of Association and provisions on arbitration. Save as disclosed above, the Company has not entered into, and does not propose to enter into any service contract with any of the Directors or Supervisors in their respective capacity as a Director or Supervisor (other than contracts expiring or terminable by the employer within one year without the payment of compensation (other than statutory compensation)).

Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(IV) Employees and Remuneration Policy

As of the end of the Reporting Period, the Group had 9,435 employees, of whom 5,376 were from the Company, and 4,059 were from subsidiaries.

The Company emphasizes talent attraction, motivation, training and retention, and focuses on the external competitiveness of its remuneration level and the internal fairness of its remuneration system. The Company implements a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package of the Company comprises basic salary, performance bonus and benefits. Under the applicable laws and regulations in the PRC, the Company enters into a labor contract and establishes employment relationship with each of its employees. A labor contract contains the provisions relating to contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract.

Under the applicable laws and regulations of the PRC, the Company purchased various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing funds for its employees, and made abovementioned social insurance and housing fund contributions in full in accordance with applicable regulations. Meanwhile, the Company also established a corporate annuity system, providing supplemental pension protection with its employees in accordance with applicable regulations.

(V) Employee Training

In the first half of 2016, the Company established the Haitong Wealth Management Academy (海通財富管理學院) to coordinate and optimize the establishment of the training system through training system implementation, curriculum system improvement, training platform establishment and training projects optimization.

SECTION IX CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB in 100 million

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay principal and pay interest	Venue of trading
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 01	122280	25 November 2013	25 November 2016	72.6	6.05%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 02	122281	25 November 2013	25 November 2018	23.5	6.15%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 03	122282	25 November 2013	25 November 2023	23.9	6.18%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 04	122311	14 July 2014	14 July 2017	56.5	5.25%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 05	122312	14 July 2014	14 July 2019	45.5	5.45%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 06	122313	14 July 2014	14 July 2024	8	5.85%	Simple annualised interest rate	Shanghai Stock Exchange

Notes:

- Method to repay principal and pay interest refers to simple annualised interest rate without any compound interest, with interest payable annually in arrears, and principal to be repaid upon maturity in one lump sum together with the interest payable for the last period. No additional interests will be accrued upon payment date of interest for each period and upon repayment date of principal.
- Appropriate arrangements for investors refer to the combination of public online issuance to social public investors and offline enquiry and placing to institutional investors. For the definition of qualified investors, please refer to Article 14 of the Administrative Measures for the Issuance and Trading of Corporate Bonds issued by CSRC.

SECTION IX CORPORATE BONDS

Further Description of Corporate Bonds

1. Subordinated bonds

The Resolution on the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the thirty-second meeting of the fifth session of the Board on 19 December 2014 and the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 of the Company on 9 February 2015, respectively, pursuant to which the Company was approved to issue other onshore debt financing instruments other than short-term financing bills of securities companies and corporate bonds with an aggregate issue size of no more than 200% of the net assets value of the Company by the end of the preceding period on a one-off or multiple issuances or multi-tranche issuances basis through public or non-public offerings, and the chairman and general manager of the Company were authorised to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. As of the end of the Reporting Period, the Company has issued two tranches of subordinated bonds with an aggregate size of RMB35.0 billion. The first tranche with an issue size of RMB15.0 billion was issued on 8 April 2015, the term of which was five years and the issuer was entitled to redeem the bonds at the end of the third year. The issue of the second tranche with an issue size of RMB20.0 billion was completed on 12 June 2015, of which the first type with an issue size of RMB15.0 billion was for a term of three years and the issuer was entitled to redeem the bonds at the end of the second year; the second type with an issue size of RMB5.0 billion was for a term of five years and the issuer was entitled to redeem the bonds at the end of the third year.

Type of stocks and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading
Subordinated bonds	8 April 2015	5.50%	RMB15.0 billion	11 May 2015	RMB15.0 billion
Subordinated bonds	12 June 2015	5.30%	RMB15.0 billion	26 August 2015	RMB15.0 billion
Subordinated bonds	12 June 2015	5.38%	RMB5.0 billion	26 August 2015	RMB5.0 billion

SECTION IX CORPORATE BONDS

2. *Short-term financing bills*

On 26 March 2013, the Resolution on the Issuance of Short-term Financing Bills of Securities Companies and the Resolution on the General Mandate to Issue Short-term Financing Bills of Securities Companies were considered and passed at the sixteenth meeting of the fifth session of the Board, and were considered and approved at the 2012 annual general meeting of the Company convened on 27 May 2013. Pursuant to which, the Company was approved to issue short-term financing bills of securities companies, and the outstanding balance of short-term financing bills shall not exceed 60% of the Company's net capital, and the chairman and general manager of the Company were authorised to jointly or individually determine the specific issuance size, issuance time and specific matters related to short-term financing bills for each tranche, and supervise the issuance and repayment of short-term financing bills. During the Reporting Period, the Company had issued one tranche of short-term financing bills with a size of RMB2.0 billion and a term of 90 days on 8 March 2016.

Type of stocks and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading
Short-term financing bills	8 March 2016	2.45%	RMB2.0 billion	10 March 2016	RMB2.0 billion

3. *Non-public corporate bonds*

The Resolution on the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the thirty-second meeting of the fifth session of the Board on 19 December 2014 and the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 of the Company on 9 February 2015, respectively, pursuant to which the Company was approved to issue other onshore debt financing instruments other than short-term financing bills of securities companies and corporate bonds with an aggregate issue size of no more than 200% of the net assets value of the Company by the end of the preceding period on a one-off or multiple issuances or multi-tranche issuances basis through public or non-public offerings, and the chairman and general manager of the Company were authorised to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. During the Reporting Period, the Company had issued one tranche of non-public corporate bonds with an aggregate size of RMB20.0 billion on 18 May 2016, of which the first type with an issue size of RMB15.0 billion was for a term of four years and the issuer was entitled to redeem the bonds at the end of the third year; and the second type with an issue size of RMB5.0 billion was for a term of five years.

SECTION IX CORPORATE BONDS

Type of stocks and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading
Non-public corporate bonds	18 May 2016	3.60%	RMB15.0 billion	15 June 2016	RMB15.0 billion
Non-public corporate bonds	18 May 2016	3.80%	RMB5.0 billion	15 June 2016	RMB5.0 billion

II. LIAISON PERSONS AND CONTACT DETAILS OF THE CORPORATE BOND TRUSTEE AND CONTACT DETAILS OF THE CREDIT-RATING AGENCY

Bond trustee	Name	CITIC Securities Company Limited
	Office address	22nd and 23rd Floors, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Contact persons	Ma Xiaolong, Wang Chaonan, Liang Zongbao, Song Yilan, Wang Hongfeng, Chang Wei, Sheng Zifei, Wang Yu
	Tel	010-60838888
Credit-rating agency	Name	China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司)
	Office address	8th Floor, No. 760 Xizang South Road, Shanghai

Other comments:

The bond trustee of both 2013 Corporate Bonds (Tranche 1) and 2013 Corporate Bonds (Tranche 2) of the Company is CITIC Securities Company Limited, and the credit-rating agency is China Chengxin Securities Rating Co., Ltd.

III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

1. 2013 Corporate Bonds (Tranche 1)

According to the approval issued by CSRC (Zheng Jian Xu Ke [2013] No. 1220), the issuer issued the first tranche of corporate bonds of RMB12.0 billion to the public on 27 November 2013. According to the prospectus in connection with the issuance of the said tranche of bonds published by the issuer on 20 November 2013, the issuer's intended use of proceeds raised therefrom was to replenish the working capital and improve the financial structure of the Company.

SECTION IX CORPORATE BONDS

The gross proceeds raised from the issuance of the said tranche of bonds were deposited into the designated account of the issuer on 27 November 2013, and were used to replenish the working capital and improve the financial structure of the Company, which were consistent with the committed use, the usage plan and other agreements as described in the prospectus. A capital verification report (“Xin Kuai Shi Bao Zi [2013] No. 114129”) in respect of the subscription amounts for the online issue, a capital verification report (“Xin Kuai Shi Bao Zi [2013] No. 114130”) in respect of the subscription amounts for the offline placing and a capital verification report (“Xin Kuai Shi Bao Zi [2013] No. 114107”) in respect of the actual receipt of proceeds from the issuance were issued by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) per appointment by the issuer. As of the end of Reporting Period, the balance of this tranche of bonds was RMB12.0 billion.

2. 2013 Corporate Bonds (Tranche 2)

According to the approval issued by CSRC (Zheng Jian Xu Ke [2013] No.1220), the issuer issued the second tranche of corporate bonds of RMB11.0 billion to the public on 16 July 2014. According to the prospectus in connection with the issuance of the said tranche of bonds published by the issuer on 10 July 2014, the issuer’s intended use of proceeds raised therefrom was to replenish the working capital and improve the financial structure of the Company.

The gross proceeds raised from the issuance of the aforesaid tranche of corporate bonds were deposited into the designated account of the issuer on 16 July 2014, and were used to replenish the working capital and improve the financial structure of the Company, which were consistent with the committed use, the usage plan and other agreements as described in the prospectus. A capital verification report (“Xin Kuai Shi Bao Zi [2014] No. 113875”) in respect of the subscription amounts for the online issue, a capital verification report (“Xin Kuai Shi Bao Zi [2014] No. 113874”) in respect of the subscription amounts for the offline placing and a capital verification report (“Xin Kuai Shi Bao Zi [2014] No. 113873”) in respect of the actual receipt of proceeds from the issuance were issued by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) per appointment by the issuer. As of the end of the Reporting Period, the balance of this tranche of bonds was RMB11.0 billion.

IV. INFORMATION ON THE CREDIT-RATING AGENCY OF CORPORATE BONDS

Established in August 1997, China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司) (“中誠信評估” for Chinese abbreviation and “CCXR” for English abbreviation) was licensed by CSRC and the People’s Bank of China to principally carry out stock market credit rating and lending market credit rating businesses.

In September 2007, as approved by CSRC, CCXR became the first credit-rating company licensed to carry out stock market credit rating business under the new mechanisms for issuance of corporate bonds. CCXR is a wholly-owned subsidiary of China Chengxin Credit Management Co., Ltd., with its place of incorporation in Shanghai and head office in Beijing.

SECTION IX CORPORATE BONDS

Business qualifications of CCXR include: corporate bond rating qualifications (Zheng Jian Ji Gou Zi [2007] No. 223) approved by CSRC and lending enterprise rating qualifications approved by Shanghai Branch of the People's Bank of China.

On 24 April 2015, CCXR issued 2015 periodical follow-up ratings on the aforesaid two tranches of corporate bonds (Xin Ping Wei Han Zi [2015] Gen Zong No. 048 and No. 049), which maintained corporate rating of the issuer and credit rating of the two tranches of corporate bonds at AAA.

On 27 April 2016, CCXR issued 2016 periodical follow-up ratings on the aforesaid two tranches of corporate bonds (Xin Ping Wei Han Zi [2016] Gen Zong No. 045 and No. 048), which maintained corporate rating of the issuer and credit rating of the two tranches of corporate bonds at AAA.

There were no issues requiring random follow-up ratings during the Reporting Period. In addition, CCXR conducted a new corporate rating on the Company (Xin Ping Wei Han Zi [2016] No. G215) due to the Company's issuance of 2016 non-public corporate bonds (Tranche 1) during the Reporting Period. The corporate rating remained at AAA.

V. CREDIT ENHANCEMENT MECHANISMS FOR CORPORATE BONDS, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION DURING THE REPORTING PERIOD

During the Reporting Period, there were no credit enhancement mechanisms for corporate bonds.

Repayment plan: the Company will perform the obligation of annual payment of interest and repayment of principal and payment of interest on maturity for each tranche of corporate bonds in a timely manner. The Company has a sound repayment capability, and repayment capital will be mainly derived from daily accumulation of profits, cash flow from operation activities, further liabilities and share capital financing activities. Revenue streams and accumulation of profits of the Company assure of the ability of principal repayment and interest payment on time in a large extent.

Other relevant information: during the Reporting Period, the Company maintained sound revenue streams, accumulation of profits and external facilities as well as current assets which can easily be realised. All these factors that served as a strong guarantee for the Company's timely repayment of principal and payment of interest remained unchanged, which was consistent with the descriptions in the prospectus.

The Company, in strict compliance with the relevant rules of procedure for the bondholders' meeting, organised bondholders to exercise their powers through bondholders' meetings, engaged CITIC Securities Company Limited as the bond trustee for both tranches of bonds to safeguard bondholders' interests in accordance with the Bond Trustee Agreement entered into with it, and strictly complied with relevant fund management plans and information disclosure requirements. All these factors and the issuer's commitment remained unchanged, which was consistent with the descriptions in the prospectus.

No dedicated repayment account was established for aforesaid two tranches of corporate bonds issued by the Company to the public.

SECTION IX CORPORATE BONDS

VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

During the Reporting Period, no bondholders' meetings were convened for aforesaid two tranches of corporate bonds issued by the Company to the public.

VII. DUTY PERFORMANCE OF THE BOND TRUSTEE OF THE CORPORATE BONDS

The bond trustee had no conflict of interest in the course of performing its duties. During the Reporting Period, the report of entrusted management affairs for 2015 in respect of 2013 Corporate Bonds (Tranche 1) of the Company and the report of entrusted management affairs for 2015 in respect of 2013 Corporate Bonds (Tranche 2) of the Company was issued by the bond trustee on 29 April 2016, and was published by the Company on the website of Hong Kong Stock Exchange on 29 April 2016.

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

Unit: RMB

Key indicators	As at	As at	Movement at	Reasons for changes
	the end of this Reporting Period	the end of last year	the end of the Reporting Period as compared with the end of the last year (%)	
Liquidity ratio	1.83	1.61	14.29%	/
Quick ratio	1.83	1.61	14.29%	/
Gearing ratio	73.16%	73.87%	-0.96%	/
Loan repayment ratio	100%	100%	/	/
Key indicators	During	During	Movement for	Reasons for changes
	the Reporting Period (January to June)	the last corresponding period	the Reporting Period compared with last corresponding period (%)	
EBITDA interest coverage multiple	1.89	2.63	-28.14%	/
Interest payment ratio	100%	100%	/	/

Note: Liquidity ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables + Interest receivable – Account payable to brokerage clients – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Interest payables + Short-term financing bills payables + Accounts payable)

SECTION IX CORPORATE BONDS

Quick ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables + Interest receivable – Account payable to brokerage clients – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Interest payables + Short-term financing bills payables + Accounts payable)

The above financial indicators are based on calculation in accordance with the PRC GAAP.

IX. ASSETS OF THE COMPANY AT THE END OF THE REPORTING PERIOD

Save for information about the assets with restricted ownership or right to use as disclosed in the financial report, none of the assets of the Company was subject to mortgage or pledge, or was sealed off or frozen, or could not be realised until fulfillment of certain conditions or at all, or could not be used to secure or repay debts, or was subject to circumstances or arrangements with restricted rights, or otherwise might be against preference repayment of debts of third parties.

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

During the Reporting Period, the Company made the following four payments of interest and repayments of principal of its other bonds and debt financing instruments:

1. As disclosed in the announcement (No. Lin 2016-008) published on the Shanghai Stock Exchange, the Company paid the interest of its 2015 Subordinated Bonds (Tranche 1) on 8 April 2016.
2. As disclosed in the announcement (No. Lin 2016-015) published on the Shanghai Stock Exchange, the Company paid the interest and repaid the principal of its 2014 Short-term Corporate Bonds (Tranche 3) on 13 May 2016.
3. As disclosed in the announcement (No. Lin 2016-022) published on the Shanghai Stock Exchange, the Company paid the interest of its 2015 Subordinated Bonds (Tranche 2) on 12 June 2016.
4. As disclosed in the announcement (No. Lin 2016-024) published on the Shanghai Stock Exchange, the Company paid the interest and repaid the principal of its 2016 Short-term Financing Bills (Tranche 1) on 7 June 2016.

XI. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained aggregate banking facilities of RMB388.1 billion from a total of 76 banks, among which RMB242.3 billion was from major banks. As of the end of the Reporting Period, the Company had utilized banking facilities of RMB60.6 billion, with the remaining available banking facilities amounting to RMB327.5 billion.

During the Reporting Period, no bank loans needed to be repaid by the Company.

SECTION IX CORPORATE BONDS

XII. IMPLEMENTATION OF AGREEMENTS OR COMMITMENTS AS DESCRIBED IN THE PROSPECTUS IN CONNECTION WITH ISSUANCE OF CORPORATE BONDS DURING THE REPORTING PERIOD

There were no agreements or commitments described in the prospectus in connection with the issuance of corporate bonds.

XIII. MATERIAL EVENTS AND IMPACT THEREOF ON THE OPERATIONS AND SOLVENCY OF THE COMPANY

During the Reporting Period, there were no material events which had impact on the operations and solvency of the Company.

Section X FINANCIAL REPORT

- I. The 2016 Interim Report has been reviewed by Deloitte Touche Tohmatsu with the auditor's review report attached hereto.
- II. The Interim Financial Report (attached).

Section XI DOCUMENTS AVAILABLE FOR INSPECTION

- I. The text of this Report with signature of the legal representative of the Company.
- II. The text of the interim financial report with signatures and seals of the legal representative of the Company and the chief financial officer and the person responsible for the accounting affairs.
- III. The text of the auditor's review report from Deloitte Touche Tohmatsu.
- IV. Original copies of all documents and notices disclosed on newspapers designated by CSRC during the Reporting Period.
- V. Other relevant materials.

Section XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

(I) Administrative Licensing of Business Departments during the Reporting Period

New business departments	Relocation of branches	Relocation of business departments
0	0	8

1. Administrative licensing of relocation of business departments during the Reporting Period

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
1	Business Department of Haitong Securities Co., Ltd. in Xinhe East Road, Puning, Jieyang	Business Department of Haitong Securities Co., Ltd. in Xinhe East Road, Puning, Jieyang	6th-7th Rooms from South of the Westward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong	14 January 2016
2	Business Department of Haitong Securities Co., Ltd. in Tianda Road, Huainan	Business Department of Haitong Securities Co., Ltd. in Dongshan Middle Road, Huainan	Office Building of China Construction 4th Engineering 6th Corp. Limited, Zhongxin Community, Dongshan Street, Tianjia'an District, Huainan	25 January 2016
3	Business Department of Haitong Securities Co., Ltd. in Renmin South Road, Leshan	Business Department of Haitong Securities Co., Ltd. in Tongyue Road, Leshan	No. 1, 2/F, No. 26, Tongyue Road, Shizhong District, Leshan	11 March 2016
4	Business Department of Haitong Securities Co., Ltd. in Nehe Zhongxin Street, Qiqihar	Business Department of Haitong Securities Co., Ltd. in Nehe Zhongxin Street, Qiqihar	No. 393, Zhongxin Street, Nehe, Qiqihar, Heilongjiang	15 March 2016
5	Business Department of Haitong Securities Co., Ltd. in Xidazhi Street, Harbin	Business Department of Haitong Securities Co., Ltd. in Xidazhi Street, Harbin	No. 40, Xidazhi Street, Nangang District, Harbin	11 April 2016
6	Business Department of Haitong Securities Co., Ltd. in Shengli Road, Gaocheng, Shijiazhuang	Business Department of Haitong Securities Co., Ltd. in Zhaiying South Street, Shijiazhuang	Room 302, Comprehensive Building of Treasury International Building, No. 41, Zhaiying South Street, Yuhua District, Shijiazhuang, Hebei	6 May 2016
7	Business Department of Haitong Securities Co., Ltd. in Yuanshan Middle Road, Yichun	Business Department of Haitong Securities Co., Ltd. in Yuanshan Middle Road, Yichun	No. 695, Yuanshan Middle Road, Yuanshan District Yichun, Jiangxi	21 June 2016
8	Business Department of Haitong Securities Co., Ltd. in Zhenhua Road, Shanghai	Business Department of Haitong Securities Co., Ltd. in Dahuayi Road, Putuo District	Unit 101-104, 1/F and Unit 201-202, 2/F, No. 6, 239 Lane, Dahuayi Road, Putuo District, Shanghai	24 June 2016

Section XII INFORMATION DISCLOSURE OF SECURITIES COMPANY

2. *Inaugural administrative licensing matters of Directors, Supervisors and senior management*

No.	Date	Contents
1	June 2016	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Zhang Ming as Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2016] No. 54) to the Company, approving qualification of Zhang Ming as independent director of securities company
2	July 2016	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Song Chunfeng as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2016] No. 65) to the Company, approving qualification of Song Chunfeng as supervisor of securities company

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2016, the Company was rated as a “Grade B, Category BBB” company.

Shanghai, the PRC
29 August 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF
HAITONG SECURITIES CO., LTD.

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

Introduction

We have reviewed the condensed consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 92 to 174, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2016, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue			
Commission and fee income	4	6,220,221	11,384,597
Interest income	5	8,525,752	9,012,845
Net investment gains	6	2,648,726	7,606,183
Total revenue		17,394,699	28,003,625
Other income and gains	7	2,527,995	2,073,943
Total revenue and other income		19,922,694	30,077,568
Depreciation and amortisation	8	(184,289)	(141,937)
Staff costs		(2,984,063)	(3,803,985)
Commission to account executives		(366,128)	(584,405)
Brokerage transaction fees and other services expenses	9	(710,194)	(1,609,779)
Interest expenses	10	(6,505,068)	(5,801,783)
Other expenses		(3,810,286)	(4,351,649)
Total expenses		(14,560,028)	(16,293,538)
Share of results of associates and joint ventures		132,150	168,831
Profit before income tax	11	5,494,816	13,952,861
Income tax expense	12	(829,107)	(3,024,206)
Profit for the period		4,665,709	10,928,655
Attributable to:			
Owners of the Company		4,264,300	10,154,714
Non-controlling interests		401,409	773,941
		4,665,709	10,928,655
Earnings per share (Expressed in RMB per share)			
– Basic	13	0.37	1.03
– Diluted	13	0.37	1.02

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 <i>RMB'000</i> (unaudited)
Profit for the period	4,665,709	10,928,655
Other comprehensive income: Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments		
Net fair value changes during the period	(1,749,225)	1,794,264
Reclassification adjustment to profit or loss on disposal	(555,919)	(425,726)
Income tax relating to components of other comprehensive income	527,405	(329,662)
Share of revaluation gains of associates	(26,967)	18,177
Subtotal	(1,804,706)	1,057,053
Exchange differences arising on translation	188,699	(2,153)
Other comprehensive income for the period (net of tax)	(1,616,007)	1,054,900
Total comprehensive income for the period	3,049,702	11,983,555
Attributable to:		
Owners of the Company	2,591,713	11,173,816
Non-controlling interests	457,989	809,739
	3,049,702	11,983,555

The accompanying notes presented on pages 100 to 174 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	NOTES	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Non-current assets			
Property and equipment	14	1,294,964	1,317,178
Investment properties		18,657	19,254
Goodwill	15	3,797,086	3,757,597
Other intangible assets		442,244	449,286
Investments accounted for using equity method	16	6,887,081	5,136,607
Finance lease receivables	17	19,558,607	17,472,135
Available-for-sale investments	18	37,978,244	33,445,224
Other loans and receivables	19	6,213,460	4,668,075
Held-to-maturity investments	20	79,429	77,747
Deferred tax assets	45	2,874,034	2,516,143
Loans and advances	21	5,663,485	5,648,299
Financial assets held under resale agreements	22	21,215,565	17,223,078
Financial assets at fair value through profit or loss	23	3,181,111	7,774,533
Deposits with exchanges	24	2,700,058	2,282,857
Restricted bank balances and cash	25	740,706	710,007
Other assets	27	227,616	184,945
Total non-current assets		112,872,347	102,682,965
Current assets			
Advances to customers on margin financing	28	64,716,558	76,324,967
Accounts receivable	29	9,057,863	6,263,868
Finance lease receivables	17	11,734,709	9,921,752
Other receivables and prepayments	30	5,603,907	3,154,363
Available-for-sale investments	18	13,018,488	11,045,127
Other loans and receivables	19	13,484,357	13,524,326
Held-to-maturity investments	20	–	4,986
Loans and advances	21	1,523,778	1,676,977
Financial assets held under resale agreements	22	61,291,360	60,245,770
Placements to banks and other financial institutions	31	386,286	184,334
Financial assets at fair value through profit or loss	23	85,769,831	102,665,873
Derivative financial assets	43	4,878,488	3,428,166
Deposits with exchanges	24	6,204,059	5,275,772
Clearing settlement funds	32	9,947,914	15,747,116
Deposits with central banks	33	196,182	834,885
Deposits with other banks	33	194,725	276,425
Bank balances and cash	25	141,451,077	163,191,220
Total current assets		429,459,582	473,765,927
Total assets		542,331,929	576,448,892

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>NOTES</i>	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Current liabilities			
Borrowings	34	42,611,002	31,284,497
Deposits from other banks		111,430	2,668
Short-term financing bills payables	35	18,202,075	22,336,951
Placements from banks and other financial institutions	36	3,100,378	1,512,362
Accounts payable to brokerage clients	37	110,309,039	129,026,336
Customer accounts	38	3,238,603	2,098,115
Bonds payable	39	10,242,032	10,793,748
Other payables and accruals	40	19,728,820	15,504,612
Provisions	41	48,391	60,611
Tax liabilities		1,043,791	3,895,438
Financial liabilities at fair value through profit or loss	42	33,104,372	24,837,241
Derivative financial liabilities	43	4,911,394	3,718,116
Financial assets sold under repurchase agreements	44	43,705,619	90,951,854
Total current liabilities		290,356,946	336,022,549
Net current assets		139,102,636	137,743,378
Total assets less current liabilities		251,974,983	240,426,343

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>NOTES</i>	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Equity			
Share capital	47	11,501,700	11,501,700
Capital reserve		56,352,103	56,375,749
Investment revaluation reserve		(637,435)	1,054,746
Translation reserve		(531,707)	(551,301)
General reserves		14,000,010	13,993,667
Retained profits		24,402,176	25,319,984
Equity attributable to owners of the Company		105,086,847	107,694,545
Non-controlling interests		10,861,653	9,233,126
Total equity		115,948,500	116,927,671
Non-current liabilities			
Deferred tax liabilities	45	708,293	665,909
Bonds payable	39	104,624,559	89,805,660
Long-term borrowings	34	11,262,834	9,330,007
Long-term payables	46	2,701,628	2,336,208
Financial assets sold under repurchase agreements	44	2,797,328	7,624,682
Financial liabilities at fair value through profit or loss	42	4,941,912	6,188,371
Customer accounts	38	1,216,655	721,044
Deposits from central banks		442,500	433,514
Placements from banks and other financial institutions	36	6,050,429	5,747,990
Other payables and accruals	40	1,280,345	645,287
Total non-current liabilities		136,026,483	123,498,672
Total equity and non-current liabilities		251,974,983	240,426,343

This unaudited condensed consolidated financial statements on pages 92 to 174 was approved for issue by the Board of Directors on 29 August 2016 and signed on its behalf by:

WANG Kaiguo
Chairman of Board

QU Qiuping
Executive Director and
General Manager

LI Chuqian
Chief Financial Officer

The accompanying notes presented on pages 100 to 174 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company						Non-controlling interests				
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000	Share option reserve of subsidiaries RMB'000	Total RMB'000	Total equity RMB'000
Unaudited											
At 1 January 2016 (audited)	11,501,700	56,375,749	1,054,746	(551,301)	13,993,667	25,319,984	107,694,545	9,208,309	24,817	9,233,126	116,927,671
Profit for the period	-	-	-	-	-	4,264,300	4,264,300	401,409	-	401,409	4,665,709
Other comprehensive income for the period	-	-	(1,692,181)	19,594	-	-	(1,672,587)	56,580	-	56,580	(1,616,007)
Total comprehensive income for the period	-	-	(1,692,181)	19,594	-	4,264,300	2,591,713	457,989	-	457,989	3,049,702
Contribution from non-controlling interests	-	-	-	-	-	-	-	88,581	-	88,581	88,581
Other equity instrument issued by a subsidiary	-	-	-	-	-	-	-	1,209,506	-	1,209,506	1,209,506
Transfer to general reserve	-	-	-	-	6,343	(6,343)	-	-	-	-	-
Cash dividend recognised as distribution (note 50)	-	-	-	-	-	(5,175,765)	(5,175,765)	-	-	-	(5,175,765)
Cash dividend distribution to non-controlling interests (note 50)	-	-	-	-	-	-	-	(144,083)	-	(144,083)	(144,083)
Share options granted by a subsidiary	-	-	-	-	-	-	-	-	18,062	18,062	18,062
Acquisition of non-controlling interests of a subsidiary	-	(23,646)	-	-	-	-	(23,646)	(1,528)	-	(1,528)	(25,174)
At 30 June 2016	11,501,700	56,352,103	(637,435)	(531,707)	14,000,010	24,402,176	105,086,847	10,818,774	42,879	10,861,653	115,948,500
Unaudited											
At 1 January 2015 (audited)	9,584,721	32,383,596	407,434	(361,545)	9,792,774	16,557,451	68,364,431	3,894,370	5,402	3,899,772	72,264,203
Profit for the period	-	-	-	-	-	10,154,714	10,154,714	773,941	-	773,941	10,928,655
Other comprehensive income for the period	-	-	1,018,794	308	-	-	1,019,102	35,798	-	35,798	1,054,900
Total comprehensive income for the period	-	-	1,018,794	308	-	10,154,714	11,173,816	809,739	-	809,739	11,983,555
Shares issued	1,916,979	23,958,225	-	-	-	-	25,875,204	-	-	-	25,875,204
Contribution from non-controlling interests (Note b)	-	32,268	-	-	-	-	32,268	4,287,470	-	4,287,470	4,319,738
Acquisition of a subsidiary	-	-	-	-	-	-	-	141,500	-	141,500	141,500
Purchase of shares held under the share award scheme of a listed subsidiary	-	-	-	-	-	-	-	(55,202)	-	(55,202)	(55,202)
Changes of equity interests in subsidiaries	-	(32,355)	-	-	-	-	(32,355)	(50,357)	-	(50,357)	(82,712)
Transfer to general reserve	-	-	-	-	5,796	(5,796)	-	-	-	-	-
Cash dividend recognised as distribution (note 50)	-	-	-	-	-	(2,875,425)	(2,875,425)	-	-	-	(2,875,425)
Cash dividend distribution to non-controlling interests (note 50)	-	-	-	-	-	-	-	(99,030)	-	(99,030)	(99,030)
Share options granted by a subsidiary	-	-	-	-	-	-	-	-	9,006	9,006	9,006
At 30 June 2015	11,501,700	56,341,734	1,426,228	(361,237)	9,798,570	23,830,944	102,537,939	8,928,490	14,408	8,942,898	111,480,837

Notes:

- Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares and (ii) the difference between the considerations paid or received over the proportionate share of net assets attributable to the changes of the Group's equity interest in subsidiaries without loss of control.
- Contribution from non-controlling interests comprise the contribution under rights issued by a listed subsidiary, the conversion of convertible bonds issued by a listed subsidiary and the exercise of share options issued by a listed subsidiary.

The accompanying notes presented on pages 100 to 174 form part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)
OPERATING ACTIVITIES		
Profit before income tax	5,494,816	13,952,861
Adjustments for		
Interest expenses	6,505,068	5,801,783
Share of results of associates and joint ventures	(132,150)	(168,831)
Depreciation and amortisation	184,289	141,937
Provision for impairment loss in respect of receivables	353,181	543,570
Gain on other bond investments and held-to-maturity investments	(659,489)	(452,305)
Loss on disposal of property and equipment and other intangible assets	1,000	5,436
Share-based payment of a subsidiary	18,062	9,006
Gain on partial disposal of an associate	(3,647)	(99,314)
Foreign exchange (gains)/losses, net	148,522	(342,986)
Net gains arising from available-for-sale investments	(1,219,238)	(602,883)
Impairment losses in respect of available-for-sale investments	29,037	–
Operating cash flows before movements in working capital	10,719,451	18,788,274
Increase in deposits with exchanges	(1,345,488)	(2,023,646)
Decrease in loans and advances	138,013	–
Increase in customer accounts	1,636,099	–
Decrease in deposit from other banks	756,451	–
Decrease/(increase) in advances to customers	11,565,913	(77,861,827)
Increase in accounts and other receivables and prepayments	(3,803,984)	(4,218,447)
Increase in financial assets held under resale agreements	(5,093,880)	(15,282,243)
(Increase)/Decrease in placements to banks and other financial institutions	(201,952)	2,000,000
Decrease/(Increase) in financial assets at fair value through profit or loss	18,251,493	(9,580,852)
Decrease/(Increase) in restricted bank deposits	241,455	(421,487)
Decrease/(Increase) in cash held on behalf of clients	22,960,529	(106,278,262)
Increase in finance lease receivables	(4,098,804)	(3,431,896)
(Decrease)/increase in accounts payable to brokerage clients and other payables and accruals	(17,657,024)	108,338,885
Increase in financial liabilities at fair value through profit or loss	8,213,950	5,670,999
(Decrease)/increase in financial assets sold under repurchase agreements	(52,073,589)	45,598,491
Increase/(Decrease) in Placements from banks and other financial institutions	1,890,455	(5,790,000)
Decrease in provisions	(12,220)	(993)
Cash used in operations	(7,913,132)	(44,493,004)
Income taxes paid	(3,468,856)	(1,462,368)
Interest paid	(2,745,763)	(2,619,018)
NET CASH USED IN OPERATING ACTIVITIES	(14,127,751)	(48,574,390)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
INVESTING ACTIVITIES			
Dividends received from associates and other investments		260,242	75,995
Purchases of property and equipment and other intangible assets		(249,985)	(172,468)
Proceeds on disposal of property and equipment		13,294	425
Purchase of investments accounted for using equity method		(1,887,450)	(551,257)
Proceeds from partial disposal of an associate		11,603	423,935
Other cash received from investing activities		7,469	249,848
Net increase in available-for-sale investments		(7,912,885)	(2,075,879)
Net cash flows from business combination	54	–	(137,589)
Payment for other investment activities		(521,884)	(593,482)
NET CASH USED IN INVESTING ACTIVITIES		(10,279,596)	(2,780,472)
FINANCING ACTIVITIES			
Dividends paid		(107,348)	(2,881,656)
Purchase of additional interests in subsidiaries		(25,174)	(82,712)
Proceeds from H shares issued		–	25,972,690
Proceeds from shares issued of a subsidiary		75,243	2,948,029
Proceeds from short term bonds, non-convertible bonds and others		55,391,526	140,093,569
Borrowings raised		19,294,440	14,679,402
Interest paid for borrowings and bonds		(4,699,583)	(1,335,443)
Proceeds from share issued upon exercise of share options		–	67,578
Purchase of shares held under the share award scheme		–	(55,202)
Repayment of borrowings, short-term bonds, non-convertible bonds and others		(50,084,821)	(73,577,986)
Issuance cost paid for short-term bonds, non-convertible bonds and others		–	(68,265)
NET CASH FROM FINANCING ACTIVITIES		19,844,283	105,760,004
NET INCREASE IN CASH AND CASH EQUIVALENTS		(4,563,064)	54,405,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD			
Effect of foreign exchange rate changes		174,702	345,584
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	26	47,356,224	79,089,920
Total interest paid		(7,445,346)	(3,954,461)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL INFORMATION OF THE GROUP

The Company was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People's Bank of China in September 1994 and had changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the "CSRC"). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company's merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year, with its listing reference name changed to "Haitong Securities". On 27 April 2012, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The address of the Company's registered office is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the People's Republic of China ("PRC"). The principal place of business of the Company is Haitong Securities Building, No.689 Guangdong Road, Shanghai, the PRC.

The Company and its subsidiaries ("The Group") are principally engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, direct equity investments, finance lease business, banking services, corporate finance business, individual finance business, fund business and provision of investment advisory and consultancy services.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The unaudited condensed consolidated financial statements of the Group should be read in conjunction with its 2015 annual financial statements.

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

Application of amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB, which are applicable for the Group's financial year beginning on 1 January 2016.

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

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

Except for the new amendments to IFRSs mentioned above, the significant accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the 2015 Annual Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. KEY SOURCES AND CRITICAL ACCOUNTING JUDGEMENT

The preparation of condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The key sources of estimation uncertainty used in the condensed consolidated financial statement for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

4. COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Commission on securities dealing and broking and handling fee income	3,513,674	8,696,597
Commission on futures and options contracts dealing and broking and handling fee income	425,703	280,634
Financial advisory and consultancy fee income	655,780	405,615
Underwriting and sponsor's fees	975,178	747,049
Asset management fee income (including fund management income)	631,804	1,239,782
Commission on bullion contracts dealing	373	723
Others	17,709	14,197
	6,220,221	11,384,597

5. INTEREST INCOME

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Bank interest income	1,775,603	1,396,613
Interest income from loans and advances	218,817	–
Interest income from finance leases	1,086,131	950,529
Interest income from advances to customers on margin financing	2,951,712	4,399,808
Interest income from financial assets held under resale agreements (Note)	2,458,215	2,210,795
Other interest income	35,274	55,100
	8,525,752	9,012,845

Note: In the current period, interest income from financial assets held under resale agreements includes the interest income from securities repo under "Circular on Promulgating the Measures on the Trading, Registration and Settlement of Agreed Repurchase Securities" issued by Shanghai Stock Exchange, which amounted to RMB33,859,000 (2015: RMB73,003,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. NET INVESTMENT GAINS

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Net gains arising from available-for-sale investments	1,219,238	602,883
Net gains arising from financial assets/liabilities at fair value through profit or loss	523,242	3,640,955
Fair value change of financial instruments at fair value through profit or loss	220,299	2,798,784
Gains from fair value hedge	–	11,829
Net gains arising from other loan and receivables and others	685,947	551,732
	2,648,726	7,606,183

7. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Non-recurring government grants (Note)	385,296	194,883
Rental income from investment properties	5,484	4,704
Foreign exchange gains/(losses), net	(148,522)	342,986
Revenue arising from commodity trading and others	2,285,737	1,531,370
	2,527,995	2,073,943

Note: The non-recurring government grants were received unconditionally by the Company and its subsidiaries from their respective local governments where they reside. The main purpose is to subsidise the operation of these entities.

8. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Depreciation for property and equipment	136,958	114,251
Depreciation for investment properties	597	603
Amortisation of other intangible assets	46,482	26,831
Amortisation of prepaid lease payments	252	252
	184,289	141,937

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Securities and futures dealing and broking expenses	662,786	1,572,646
Services expenses for underwriting, sponsorship, financial advisory and others	47,408	37,133
	710,194	1,609,779

10. INTEREST EXPENSES

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Bank loans and overdrafts	1,457,654	882,208
Placement from banks and other financial institutions	70,621	80,519
Financial assets sold under repurchase agreements (Note)	1,782,323	2,466,714
Accounts payable to brokerage clients	153,817	185,436
Placement from China Securities Finance Corporation Ltd.	3,007	202,472
Bond payables	2,929,505	1,869,200
Others	108,141	115,234
	6,505,068	5,801,783

Note: In the current period, interest expenses from financial assets sold under repurchase agreements includes the interest expenses from bond-pledged repo in stock exchange, amounting to RMB2,924,000 (2015: RMB19,169,000).

11. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
The Group's profit before income tax is arrived at after charging (crediting):		
Impairment loss in respect of available-for-sale investments included in other expenses	29,037	–
Impairment loss in respect of loans and advances included in other expenses	40,143	–
Impairment loss in respect of finance lease receivables included in other expenses	199,375	287,149
Impairment loss in respect of advances to customers on margin financing included in other expenses	42,496	133,907
Impairment loss in respect of financial assets held under resale agreements included in other expenses	55,803	59,603
Impairment loss in respect of receivables and others included in other expenses	15,364	62,911
Losses on disposal of property and equipment and other intangible assets	1,000	5,436
Operating lease rentals in respect of rented premises	193,987	156,396

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

12. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	461,011	2,449,233
Hong Kong Profits Tax	143,628	340,116
	604,639	2,789,349
Adjustments to current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	(12,067)	(2,877)
Hong Kong Profits Tax	–	65
	(12,067)	(2,812)
Deferred tax	236,535	237,669
	829,107	3,024,206

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is as follows:

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	4,264,300	10,154,714
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds (Note i)	1,015	8,361
Adjustment to the share of profit of subsidiaries based on dilution of its earnings per share (Note i, ii)	(5,467)	(76,934)
Earnings for the purpose of diluted earnings per share	4,259,848	10,086,141
Number of shares for basic and diluted earnings per share:		
Weighted average number of shares in issue (in thousand)	11,501,700	9,904,218
Basic earnings per share (Expressed in RMB per share)	0.37	1.03
Diluted earnings per share (Expressed in RMB per share)	0.37	1.02

Notes:

- (i) On 18 July 2013, 10 October 2013 and 4 November 2014, a listed subsidiary of the Company, issued convertible bonds of HKD776 million, HKD232 million and HKD1,164 million respectively (Details are set out in Note 39). These convertible bonds created a potential dilutive effect to the basic earnings per share. In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares of the subsidiary.
- (ii) On 16 January 2015, the management of a subsidiary were granted 85,980,375 of share options on the shares of the subsidiary. As at 30 June 2016, 50% of the stock options were exercisable. These share options created a potential dilutive effect to the basic earnings per share. In the calculation of the diluted earnings per share, the stock options are assumed to have been exercised during the period.

The computation of diluted earnings per share assumed the exercise of a listed subsidiary's outstanding share options with the exercise price lower than the average market price during the period ended 30 June 2016 and with the adjustment for the share options lapsed or exercised during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Furniture, Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Unaudited							
COST							
As at 1 January 2016	1,102,905	769,008	944,170	173,747	176,198	25,364	3,191,392
Arising from acquisition of a subsidiary							
Additions during the period	4,484	14,702	67,801	2,609	12,249	12,588	114,433
Disposals during the period	-	-	(27,049)	(1,932)	(8,634)	-	(37,615)
Transfer during the period	-	7,251	-	-	674	(7,925)	-
Exchange difference	909	1,797	2,116	35	3,131	103	8,091
As at 30 June 2016	1,108,298	792,758	987,038	174,459	183,618	30,130	3,276,301
ACCUMULATED DEPRECIATION							
As at 1 January 2016	359,925	610,319	651,948	111,233	110,407	-	1,843,832
Provided for the period	16,128	32,898	67,555	8,474	11,903	-	136,958
Eliminated on disposals	-	-	(24,914)	(1,833)	(7,281)	-	(34,028)
Exchange difference	9	630	1,177	31	2,346	-	4,193
As at 30 June 2016	376,062	643,847	695,766	117,905	117,375	-	1,950,955
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2016 and 30 June 2016	30,382	-	-	-	-	-	30,382
CARRYING VALUES							
As at 30 June 2016	701,854	148,911	291,272	56,554	66,243	30,130	1,294,964

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings <i>RMB'000</i>	Furniture, Leasehold improvements <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	fixtures and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Audited							
COST							
As at 1 January 2015	1,094,502	680,891	818,426	171,367	143,758	27,943	2,936,887
Arising from acquisition of a subsidiary	4,537	43,087	16,888	–	25,497	2,573	92,582
Additions during the year	3,730	33,206	126,727	18,514	14,188	50,978	247,343
Disposals during the year	(63)	(4,320)	(63,586)	(16,328)	(8,781)	–	(93,078)
Transfer during the year	–	13,034	43,150	–	–	(56,184)	–
Exchange difference	199	3,110	2,565	194	1,536	54	7,658
As at 31 December 2015	1,102,905	769,008	944,170	173,747	176,198	25,364	3,191,392
ACCUMULATED DEPRECIATION							
As at 1 January 2015	327,908	542,042	618,295	108,412	99,703	–	1,696,360
Provided for the year	32,030	66,985	95,455	18,421	18,111	–	231,002
Eliminated on disposals	(32)	–	(63,424)	(15,739)	(7,766)	–	(86,961)
Exchange difference	19	1,292	1,622	139	359	–	3,431
As at 31 December 2015	359,925	610,319	651,948	111,233	110,407	–	1,843,832
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2015 & 31 December 2015	30,382	–	–	–	–	–	30,382
CARRYING VALUES							
As at 31 December 2015	712,598	158,689	292,222	62,514	65,791	25,364	1,317,178

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

15. GOODWILL

Cost and carrying values

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
At beginning of the period	3,757,597	2,600,616
Additional amount in respect of business combination	–	524,224
Original goodwill of the newly acquired subsidiaries	–	456,510
Exchange adjustments	39,489	176,247
At end of the period	3,797,086	3,757,597

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Associates:		
Cost of unlisted investments in associates	3,571,278	3,362,989
Share of post-acquisition profits and other comprehensive income, net of dividends received	560,586	712,604
Joint ventures:		
Cost of unlisted investments in joint ventures	2,716,655	1,063,956
Share of post-acquisition (loss)/profits and other comprehensive income, net of dividends received	38,562	(2,942)
	6,887,081	5,136,607

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

The Group has the following investments accounted for using equity method:

Name of entity	Place of establishment	Principal activities
Joint ventures		
Haitong-AC Asian Special Opportunities Fund	Cayman Islands	Investment holding
Harveston Asset Management Pte. Ltd	Singapore	Fund management
Haitong Special Opportunities Fund I S.P.	Cayman Islands	Investment holding
Haitong China Select Investment Fund S.P.	Cayman Islands	Investment holding
Haitong Multi-Tranche Investment Fund II S.P.	Cayman Islands	Investment holding
Haitong Freedom Multi-Tranche Bond Fund	Cayman Islands	Investment holding
Haitong High Yield Bond Multi-Tranche Fund S.P.	Cayman Islands	Investment holding
Associates		
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	Provision of fund trading distribution services
吉林省現代農業和新興產業 投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	Investing in securities
西安航天新能源產業基金投資 有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	Investing in securities
上海文化產業股權投資基金 合夥企業（有限合夥） Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	Investing in securities
山東華安新材料有限公司 Shandong Hua'an New Material Co.,Ltd*	PRC	Manufacturing
Trinitus Asset Management Limited	Hong Kong	Investment management services

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

The Group has the following investments accounted for using equity method: (continued)

Name of entity	Place of establishment	Principal activities
Associates (continued)		
Diamond Head Capital International, Ltd Class E	Cayman Islands	Investment holding
上海併購股權投資基金 合夥企業 (有限合夥) Shanghai Equity Investment Fund Limited Partnership*	PRC	Investing in securities
海通 (吉林) 現代服務業創業 投資基金合夥企業 (有限合夥) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	Investing in securities
西安海創之星創業投資 有限合夥企業 Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership*	PRC	Investing in securities
海通齊東 (威海) 股權投資 基金 (有限合夥) Haitong Qidong (weihai) Equity Investment Fund (Limited Partnership)	PRC	Investing in securities
海通興泰 (安徽) 新興產業 投資基金 (有限合夥) Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	PRC	Investing in equity; Investment management services
Coporgest, SA	Portugal	Real estate; Non-Bank finance company
Salgar Investments	Portugal	Venture capital fund
Fundo Espirito Santo IBERIA I	Portugal	Venture capital fund
MCO2 – Sociedade gestora de Fundos de Investimento Mobiliário, S.A.	Portugal	Asset management; investment funds

* The English translated name is for identification only.

Both joint ventures and associates are unlisted entities without quoted market price available.

All of these associates and joint ventures are accounted for using the equity method in these unaudited condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. FINANCE LEASE RECEIVABLES

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Minimum lease payments to be received	36,249,969	31,779,770
Less: unrealized finance income	(3,940,827)	(3,578,301)
Balance of finance lease receivables	32,309,142	28,201,469
Less: Allowance for impairment	(1,015,826)	(807,582)
Finance lease receivables, net	31,293,316	27,393,887
Analysis by statement purpose:		
Current assets	11,734,709	9,921,752
Non-current assets	19,558,607	17,472,135
	31,293,316	27,393,887

Minimum lease payments to be received and the corresponding present value are as follows :

	30.6.2016 (unaudited)		31.12.2015 (audited)	
	Minimum lease payments RMB'000	Present Value RMB'000	Minimum lease payments RMB'000	Present Value RMB'000
Within 1 year	13,590,475	12,113,019	11,560,347	10,258,688
1~2 years	10,568,293	9,419,387	8,583,385	7,616,923
2~3 years	7,042,002	6,276,448	6,468,544	5,740,207
Over 3 years	5,049,199	4,500,288	5,167,494	4,585,651
Total	36,249,969	32,309,142	31,779,770	28,201,469
Unrealized finance income	(3,940,827)	N/A	(3,578,301)	N/A
Balance of finance lease receivables	32,309,142	32,309,142	28,201,469	28,201,469
Allowance for impairment	(1,015,826)	(1,015,826)	(807,582)	(807,582)
Finance lease receivables, net	31,293,316	31,293,316	27,393,887	27,393,887

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. FINANCE LEASE RECEIVABLES (continued)

Analysis by industries

	30.6.2016 (unaudited)		31.12.2015 (audited)	
	Carrying amount RMB'000	Percentage (%)	Carrying amount RMB'000	Percentage (%)
Public service	13,913,473	38.38	13,516,248	42.53
Industrial equipment	6,841,850	18.87	6,507,240	20.48
Healthcare	4,662,314	12.86	5,033,923	15.84
Motor vehicles	4,222,483	11.65	1,825,687	5.74
Printing & packaging	1,102,404	3.04	1,563,042	4.92
Agricultural and forestry machinery	822,987	2.27	947,483	2.98
Electronics	1,152,460	3.18	759,626	2.39
Energy saving and environmental protection	1,170,451	3.23	611,620	1.92
Building construction	1,683,163	4.64	402,654	1.27
Others	678,384	1.88	612,247	1.93
Total	36,249,969	100.00	31,779,770	100.00
Unrealized finance income	(3,940,827)		(3,578,301)	
Balance of finance lease receivables	32,309,142		28,201,469	
Allowance for impairment	(1,015,826)		(807,582)	
Finance lease receivables, net	31,293,316		27,393,887	

Allowance for impairment:

	30.6.2016 (unaudited)			31.12.2015 (audited)		
	Individual assessment RMB'000	Collective assessment RMB'000	Total RMB'000	Individual assessment RMB'000	Collective assessment RMB'000	Total RMB'000
As at the beginning of the period	125,571	682,011	807,582	56,299	269,598	325,897
Addition during the period	87,867	111,508	199,375	235,800	412,908	648,708
Recoveries of amount written-off in previous periods	-	8,869	8,869	21,143	-	21,143
Written off during the period	-	-	-	(187,671)	(495)	(188,166)
As at the end of the period	213,438	802,388	1,015,826	125,571	682,011	807,582

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Debt securities	9,738,369	4,139,703
Equity securities	11,482,284	8,283,949
Funds	6,396,165	5,778,489
Others (Note iii)	23,379,914	26,288,210
	50,996,732	44,490,351
Analysed as:		
Listed in Hong Kong	7,047	6,204
Listed outside Hong Kong	9,572,570	6,843,896
Unlisted	41,417,115	37,640,251
	50,996,732	44,490,351
Analysed as:		
Listed equity securities (Note ii)	5,797,719	3,786,437
Unlisted equity securities (Note i)	5,684,565	4,497,512
	11,482,284	8,283,949
Analysed for reporting purpose as:		
Current assets	13,018,488	11,045,127
Non-current assets	37,978,244	33,445,224
	50,996,732	44,490,351

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

- (i) The equity interest in unlisted securities held by the Group are issued by non-listing companies (including companies in banking, manufacturing, real estate and public utilities). As the reasonable range of fair value estimation is quite significant and the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the reporting date. Besides, included in the Group's unlisted equity securities are unlisted equity investments and unlisted partnership investments from the Group's oversea subsidiary, which are measured at fair value.
- (ii) Included in the Group's listed equity securities are amounts of approximately RMB2,904,249,000 and RMB3,252,221,000 as at 30 June 2016 and 31 December 2015, respectively, which are restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.
- (iii) Except for the investment described below, others comprise of asset management plans and trust products which are mainly invested in listed securities or open-ended funds and the Group's return of investment is tied to the result of such investments.

On 28 November 2014, the Group entered into a subscription agreement to acquire a HKD2,100,000,000 fixed rate bond bearing interest at 26% per annum due on 27 November 2017 issued by a third party company (the "Company A"). On 5 December 2014, the Group further entered into another subscription agreement to acquire preference shares issued by Company A for a subscription price of HKD500,000,000 with maturity date on 5 December 2017 (the "Maturity Date"). The preference shares is non-interest bearing and the holder of preference shareholder is entitled to the dividend distribution by Company A. Pursuant to the Shareholder Deed of Company A dated 5 December 2014, the ordinary shareholder who is also a third party to the Group, agrees to buy, all the preference shares held by the Group, on the Maturity Date. The sale price of the preference share held by the Group shall be equivalent to the subscription price of HKD500,000,000 of all the preference shares.

Taking into account the economic substance reflected by contract terms related to the dividend distribution entitlement of preference shares of Company A together with the sales back arrangement being considered protective in nature, the Group accounts for the preference share together with the fixed rate bond to be presented as available-for-sale debt investments.

As at 30 June 2016, balance of available-for-sale financial assets included the Group's investments made to the designated accounts managed by China Securities Finance Co., Ltd. (the "CSFC"). According to the corresponding agreements with CSFC, the Group made investments to such accounts amounting to RMB15 billion and RMB4.457 billion on 6 July 2015 and 1 September 2015, respectively. CSFC executes unified operation and investment management over these accounts, while all the investors including the Group share investment risks as well as potential income in proportion to their contributions.

In the opinion of the directors of the Company, non-current available-for sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods.

As at 30 June 2016 and 31 December 2015, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB7,769,000 and RMB12,262,000 to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

RMB8,533,716,000 and RMB12,528,548,000 cash collateral was received from clients for securities lending arrangement and margin financing activities carried out in the PRC, and reported under accounts payable to brokerage clients (Note 37).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. OTHER LOANS AND RECEIVABLES

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Trust products	1,702,589	2,425,390
Structured products (Note)	11,940,282	10,270,891
Debt investment	3,624,052	3,448,861
Factoring receivable	1,670,630	1,145,727
Entrusted loan	760,264	901,532
	19,697,817	18,192,401
Analysed for reporting purpose as:		
Current assets	13,484,357	13,524,326
Non-current assets	6,213,460	4,668,075
	19,697,817	18,192,401

Note: The above products mainly comprise fixed-yield structured products with fixed maturity, which are recoverable in determinable amounts by principal and interest according to the relevant agreement.

20. HELD-TO-MATURITY INVESTMENTS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Debt securities listed in Hong Kong	79,429	82,733
Analysed for reporting purpose as:		
Current assets	–	4,986
Non-current assets	79,429	77,747
	79,429	82,733

As at 30 June 2016, the fair value of the held-to-maturity investments was approximately RMB79,429,000 (2015: RMB82,733,000). The related interest rates on such bonds for the year ended 30 June 2016 was 4.1% per annum (2015: between 4.1% – 9.75% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

21. LOANS AND ADVANCES

	30.6.2016 <i>RMB'000</i> (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Customer loans and advances	9,191,236	9,637,493
Less: Loans with impairment losses calculated on an portfolio basis	(28,394)	(27,565)
Less: Loans with impairment losses calculated on an individual basis	(1,975,579)	(2,284,652)
	7,187,263	7,325,276
Analysed for reporting purpose as:		
Current assets	1,523,778	1,676,977
Non-current assets	5,663,485	5,648,299
	7,187,263	7,325,276

The balance as at 30 June 2016 and 31 December 2015 with banking customers is analysed as follows:

	30.6.2016 <i>RMB'000</i> (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Corporate loans	9,188,269	9,634,718
Individual loans	2,967	2,775
Less: Impairment losses	(2,003,973)	(2,312,217)
Calculated on an portfolio basis	(28,394)	(27,565)
Calculated on an individual basis	(1,975,579)	(2,284,652)
	7,187,263	7,325,276

As at 30 June 2016 and 31 December 2015, the analysis of loans and advances to customers by maturity is presented as follows:

	30.6.2016 <i>RMB'000</i> (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Up to 3 months	1,956,212	1,543,097
3 to 12 months	393,194	1,289,517
1 to 5 years	2,046,032	2,281,965
More than 5 years	4,795,798	4,522,914
Less: Impairment losses	(2,003,973)	(2,312,217)
	7,187,263	7,325,276

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21. LOANS AND ADVANCES (continued)

The movements occurred in impairment losses of loans and advances to customers are presented as follows:

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
At beginning of the period	2,312,217	–
On acquisition date of a subsidiary	–	2,302,755
Charge for the period	40,143	29,839
Transfers for the period	–	7,914
Write off for the period	(473,091)	(20,321)
Write back for the period	–	(4,779)
Exchange differences and other	124,704	(3,191)
At end of the period	2,003,973	2,312,217

As at 30 June 2016 the detail of impairment is presented as follows:

	Loans with impairment losses calculated on an individual basis		Loans with impairment losses calculated on a portfolio basis		Total		Net Amount <i>RMB'000</i>
	Gross amount <i>RMB'000</i>	Impairment <i>RMB'000</i>	Gross amount <i>RMB'000</i>	Impairment <i>RMB'000</i>	Gross amount <i>RMB'000</i>	Impairment <i>RMB'000</i>	
Corporate loans	3,694,782	(1,975,579)	5,493,487	(28,379)	9,188,269	(2,003,958)	7,184,311
Individual loans	–	–	2,967	(15)	2,967	(15)	2,952
Total	3,694,782	(1,975,579)	5,496,454	(28,394)	9,191,236	(2,003,973)	7,187,263

Loans and advances by secured type are analysed as follows:

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Credit loans	8,260,526	8,718,060
Mortgaged loans	845,835	825,835
Pledged loans	84,875	93,598
	9,191,236	9,637,493

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21. LOANS AND ADVANCES (continued)

As at 30 June 2016 and 31 December 2015, the exposure and impairment detail by industries is disclosed in the following tables.

Industries	30.06.2016 (unaudited) Evaluation			
	Individual		Collective	
	Exposure RMB'000	Impairment RMB'000	Exposure RMB'000	Impairment RMB'000
Agriculture, forestry and fishing	40,787	(408)	11,717	(78)
Construction	473,565	(149,021)	931,272	(4,671)
Electricity, gas, steam and air conditioning supply	187,058	(85,176)	1,749,720	(8,871)
Wholesale and retail trade	278,849	(138,557)	270,987	(1,396)
Transport and storage	280,837	(44,178)	1,359,476	(6,817)
Manufacturing	397,619	(146,914)	391,159	(2,018)
Real estate activities	137,355	(98,362)	88,071	(440)
Water supply	78,653	(2,671)	101,042	(510)
Services	1,581,964	(1,165,230)	235,164	(1,769)
Others	238,095	(145,062)	357,846	(1,824)
Total	3,694,782	(1,975,579)	5,496,454	(28,394)

Industries	31.12.2015 (audited) Evaluation			
	Individual		Collective	
	Exposure RMB'000	Impairment RMB'000	Exposure RMB'000	Impairment RMB'000
Agriculture, forestry and fishing	39,331	(394)	11,272	(73)
Construction	395,795	(135,439)	1,037,012	(5,159)
Electricity, gas, steam and air conditioning supply	183,415	(80,815)	1,703,803	(8,582)
Wholesale and retail trade	356,426	(133,591)	232,169	(1,172)
Transport and storage	343,939	(41,694)	1,314,788	(6,593)
Manufacturing	343,722	(129,753)	460,091	(2,356)
Real estate activities	447,200	(358,269)	50,153	(251)
Water supply	68,291	(696)	90,985	(466)
Services	1,669,571	(1,263,414)	289,028	(1,441)
Others	308,854	(140,587)	291,648	(1,472)
Total	4,156,544	(2,284,652)	5,480,949	(27,565)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

22. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> <i>(audited)</i>
Analysed by collateral type:		
Stock (Note)	50,658,435	50,798,437
Bonds	17,091,045	9,137,971
Fund	1,731	923
Structured products	14,950,000	17,670,000
Less: Allowance for doubtful debts	(194,286)	(138,483)
	82,506,925	77,468,848
Analysed by market:		
Stock Exchange	50,754,978	50,857,926
Inter-bank	16,996,233	9,079,405
Over the counter ("OTC")	14,950,000	17,670,000
Less: Allowance for doubtful debts	(194,286)	(138,483)
	82,506,925	77,468,848
Analysed for reporting purpose as:		
Current	61,291,360	60,245,770
Non-current	21,215,565	17,223,078
	82,506,925	77,468,848

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price.

As of 30 June 2016, the fair value of the collateral was RMB180,731,134,000 (2015:RMB215,037,612,000)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Debt securities	49,710,068	40,260,638
Equity securities	13,085,932	17,786,575
Funds	21,194,739	48,573,634
Others	4,960,203	3,819,559
	88,950,942	110,440,406
Analysed as:		
Listed in Hong Kong	2,644,963	2,728,274
Listed outside Hong Kong	28,549,154	36,269,398
Unlisted (Notes i, ii)	57,756,825	71,442,734
	88,950,942	110,440,406
Analysed for reporting purpose as:		
Current assets	85,769,831	102,665,873
Non-current assets (Note ii)	3,181,111	7,774,533
	88,950,942	110,440,406

Notes:

- (i) Unlisted financial assets at fair value through profit or loss of the Group include unlisted bonds, funds and structured products, the underlying investments of unlisted funds and structured products mainly consist of publicly traded equities and bonds listed in Hong Kong and in mainland China.
- (ii) Unlisted financial assets at fair value through profit or loss include financial assets acquired by the Group which are driven by the issued structured products and become its underlying investments and hedging items for the risk of economic exposure on these issued structured products as set out in Note 42.

These financial assets are designated at fair value as such instruments, as well as the financial instruments which they are hedging, are risk managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

For these financial assets in connection with structured products with the maturity more than one year, they are classified as non-current assets as they are not expected to be settled within one year.

As at 30 June 2016, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB15,611,000 (2015: RMB29,149,000) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

24. DEPOSITS WITH EXCHANGES

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Deposits with stock exchanges		
– Shanghai Stock Exchange	342,983	442,017
– Shenzhen Stock Exchange	114,435	173,740
– National Equities Exchange and Quotations	1,634	1,565
– Stock Exchange of Hong Kong Limited	1,282	1,257
Subtotal	460,334	618,579
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	1,792,914	1,492,788
– Dalian Commodity Exchange	750,343	479,161
– Zhengzhou Commodity Exchange	566,366	266,437
– China Financial Futures Exchange	2,489,764	2,118,844
– Shanghai Gold Exchange	630	329
– HKFE Clearing Corporation Limited	3,995	2,658
– The Chinese Gold & Silver Exchange Society	586	575
– Collateral deposits placed with overseas stock exchange and brokers	2,530,625	2,033,056
Subtotal	8,135,223	6,393,848
Other deposits		
– Guarantee fund paid to Shanghai Stock Exchange	41,239	137,104
– Guarantee fund paid to Shenzhen Stock Exchange	47,508	112,233
– Deposit with China Securities Finance Corporation Ltd.	39,402	40,709
– Deposit with Shanghai Clearing House	16,840	10,845
– Guarantee fund paid to the SEHK Options Clearing House Ltd.	5,377	5,270
– Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	35,834	67,873
– Guarantee fund paid to Securities and Futures Commission	299	293
– Others	122,061	171,875
Subtotal	308,560	546,202
Total	8,904,117	7,558,629
Analysed for reporting purpose as:		
Current assets	6,204,059	5,275,772
Non-current assets	2,700,058	2,282,857
	8,904,117	7,558,629

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

25. BANK BALANCES AND CASH

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> <i>(audited)</i>
General accounts	47,275,937	51,834,566
Cash held on behalf of clients (Note i)	94,915,846	112,066,661
	142,191,783	163,901,227
Less: non-current restricted bank balances and cash (Note ii)	(740,706)	<i>(710,007)</i>
	141,451,077	163,191,220

Bank balances and cash comprise of cash on hand and demand deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group received and held money deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 37). The Group currently does not have a legally enforceable right to offset these payables with deposit placed.
- (ii) The non-current restricted bank deposits are restricted for fund management risk reserve purpose, pledged bank deposit over one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Bank balances and cash – general account	47,275,937	51,834,566
Less: Restricted bank balances and cash (Note)	(1,660,140)	(1,901,595)
Deposits with other banks	194,725	276,425
Clearing settlement funds – the Group	1,545,702	1,535,190
	47,356,224	51,744,586

Note: The liquidity restrictive deposits are deposits of notes receivable, deposits of borrowings and other pledge of bank deposits within one year.

27. OTHER ASSETS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Foreclosed assets	26,986	52,765
Prepaid lease payments	14,753	15,004
Others	185,877	117,176
	227,616	184,945

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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28. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	30.6.2016 <i>RMB'000</i> (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Loans to margin clients (Note)	64,893,653	76,459,449
Less: Allowance for doubtful debts (Note)	(177,095)	(134,482)
	64,716,558	76,324,967
Analysed for reporting purpose as:		
Current	64,716,558	76,324,967
Non-current	–	–
	64,716,558	76,324,967

Movements in the allowance for doubtful debts are as follows:

	30.6.2016 <i>RMB'000</i> (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
At beginning of the period	134,482	115,221
Provision of impairment allowance, net	42,496	19,261
Exchange difference	117	–
At end of the period	177,095	134,482

Note:

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 30 June 2016 and 31 December 2015 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB231,169,155,000 and RMB281,073,316,000, respectively.

As at 30 June 2016 and 31 December 2015, included in the Group's accounts payable to brokerage clients were approximately RMB8,533,716,000 and RMB12,528,548,000 cash collateral received from clients for securities lending and margin financing arrangement.

The Group determines the allowance for impaired debts based on the evaluation of collectability and ageing analysis of accounts and on management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

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For the six months ended 30 June 2016

29. ACCOUNTS RECEIVABLE

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Accounts receivable from:		
– Cash clients	1,653,667	855,720
– Brokers, dealers and clearing house	5,758,152	4,667,907
– Advisory and financial planning	1,947	7,419
– Asset and fund management	484,070	491,511
– Clients for subscription of new shares in IPO (Note)	322,447	–
– Others	899,982	248,378
	9,120,265	6,270,935
Less: allowance for doubtful debts on accounts receivable	(62,402)	(7,067)
	9,057,863	6,263,868

Note: Clients for subscription of new shares in IPO is from a Hong Kong subsidiary. Accounts receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules.

Movements in the allowance for doubtful debts are as follows:

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
At beginning of the period	7,067	37,315
Addition during the period	3,728	4,267
Transfer in/(out) during the period	51,607	(34,515)
At end of the period	62,402	7,067

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For the six months ended 30 June 2016

29. ACCOUNTS RECEIVABLE (continued)

Aging analysis of accounts receivable from the trade date is as follows:

	30.6.2016 <i>RMB'000</i> (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Between 0 and 3 months	7,144,659	5,253,075
Between 4 and 6 months	141,346	38,512
Between 7 and 12 months	1,021,344	469,788
Over 1 year	750,514	502,493
	9,057,863	6,263,868

The normal settlement terms of accounts receivable from clients and brokers, dealers and clearing houses are within two days after trade date. Normal settlement terms of accounts receivable from advisory and financial planning, asset and fund management are determined in accordance with the contract terms, usually within one year after the service provided.

There is trading limit for all clients. The Group strictly monitors outstanding accounts receivable in order to minimize the credit risk. The management review the accounts receivable regularly to ensure that the listed stocks held by the Group on clients' behalf is able to offset their debts owed to the Group.

30. OTHER RECEIVABLES AND PREPAYMENTS

	30.6.2016 <i>RMB'000</i> (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Interest receivable	4,299,005	2,292,693
Dividend receivable	–	22
Expenses for underwriting business to be settled by clients	2,681	–
Other receivables and prepayments (Note ii)	1,784,607	1,344,835
	6,086,293	3,637,550
Less: allowance for doubtful debts on other receivables (Note i)	(482,386)	(483,187)
	5,603,907	3,154,363

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For the six months ended 30 June 2016

30. OTHER RECEIVABLES AND PREPAYMENTS (continued)

Movements in the allowance for doubtful debts are as follows:

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
At beginning of the period	483,187	486,027
Reversal of impairment allowance, net	(800)	(9,408)
Recoveries of other receivables previously written off	–	6,568
Amounts written off during the period	(1)	–
At end of the period	482,386	483,187

Notes:

- (i) Included in the allowance for doubtful debts of the Group mainly represents a gross receivable of RMB550,000,000 from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year. As of 30 June 2016, accumulated amounts of RMB RMB87,088,000 (2015: RMB87,088,000) of the above receivable has been recovered. In 2016, nil (2015: nil) of the above receivable were recovered.
- (ii) The remaining other receivables and prepayments mainly represent short-term rental deposits placed with landlords under operating leases and other prepaid expenses for daily operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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31. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Oversea bank and other financial institutions	386,286	184,334

32. CLEARING SETTLEMENT FUNDS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Clearing settlement funds held with clearing houses for:		
The Group	1,545,702	1,535,190
Clients	8,402,212	14,211,926
	9,947,914	15,747,116

These clearing settlement funds are held by the clearing houses for the Group can be withdrawn freely by the Group. These balances carry interest at prevailing market interest rates.

33. DEPOSITS WITH CENTRAL BANK AND OTHER BANKS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Deposits with central banks other than legal reserve	184,013	832,047
Legal reserve	12,169	2,838
Deposits with other banks	196,182	834,885
	194,725	276,425
	390,907	1,111,310

Note: As at 30 June 2016, the subsidiary of Group has amount approximately to RMB196,182,000 deposits with central banks. The whole balance is repayable on demand. The deposits approximately to RMB12,169,000 of the deposits is legal reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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34. BORROWINGS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Secured borrowings:		
Short-term borrowings (Note)	13,413,153	11,837,110
Long-term borrowings (Note)	17,372,093	15,370,705
Unsecured borrowings:		
Short-term borrowings	21,379,828	12,416,410
Long-term borrowings	1,708,762	990,279
	53,873,836	40,614,504
Current liabilities:		
Short-term borrowings	34,792,981	24,253,520
Long-term borrowings due within one year	7,818,021	7,030,977
	42,611,002	31,284,497
Non-current liabilities:		
Long-term borrowings	11,262,834	9,330,007
	53,873,836	40,614,504

Note:

Bank loans of approximately to RMB663 million (31 December 2015: RMB649 million) are secured by bonds.

Bank loans of RMB converted to 7,067 million (31 December 2015: RMB converted to 5,802 million) are secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consents) of RMB converted to 18,239 million at fair value (31 December 2015: RMB converted to 16,548 million).

Bank loans of current portion of RMB converted to 2,427 million (31 December 2015: RMB2,392 million) and non-current portion of RMB converted to 1,957 million (31 December 2015: RMB1,882 million) are secured by the shares of UT Capital and Haitong Bank respectively.

Bank loans of RMB converted to 15,025 million (31 December 2015: RMB15,869 million) are secured by the finance leases receivable of RMB25,184 million (31 December 2015: RMB21,452 million).

Bank loans of RMB1,538 million (31 December 2015: RMB1,508 million) are secured by the investment fund of RMB1,897 million at fair value (31 December 2015: RMB1,701 million) which is the dealing price of that fund derived from the net asset values of that fund with reference to observable quoted price of underlying investment portfolio in active markets.

Bank loans of RMB1,201 million (31 December 2015: RMB1,177 million) are secured by the listed shares acquired by the Group which are driven by the issued structured products of RMB1,678 million at fair value (31 December 2015: RMB1,671 million).

The rates of short-term borrowing range from 0.8% to 4.75%. The rates of long-term borrowings range from 2.45% to 6.8%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

35. SHORT-TERM FINANCING BILLS PAYABLES

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Analysed as:		
Stock Exchange	–	8,000,000
Income Certificate (Note)	18,202,075	14,336,951
	18,202,075	22,336,951

Note: According to Securities Association of China ("SAC")'s letter on approving the pilot of OTC income certificate business (SAC[2014]285), the Group was authorized to conduct income certificate business. The interest rates of all the outstanding income certificates were between 2.50% to 10.00% per annum.

36. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Placements from banks	7,850,807	7,260,352
Placements from China Securities Finance Corporation Ltd.	1,300,000	–
	9,150,807	7,260,352
Analysed for reporting purpose as:		
Current liabilities	3,100,378	1,512,362
Non-current liabilities	6,050,429	5,747,990
	9,150,807	7,260,352

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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37. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

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

Accounts payable mainly include money held on behalf of clients at the banks and at the clearing houses by the Group.

As at 30 June 2016 and 31 December 2015, included in the Group's accounts payable to brokerage clients were approximately RMB8,533,716,000 and RMB12,528,548,000 cash collateral received from clients for securities lending and margin financing arrangement.

Accounts payable to brokerage clients is interest bearing at the prevailing interest rate.

38. CUSTOMER ACCOUNTS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Demand deposits – corporate	139,366	64,987
Time deposits – corporate	4,289,110	2,743,832
Demand deposits – private	4,510	1,348
Time deposits – private	22,272	8,992
	4,455,258	2,819,159
Analysed for reporting purpose as:		
Current liabilities	3,238,603	2,098,115
Non-current liabilities	1,216,655	721,044
	4,455,258	2,819,159

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

39. BONDS PAYABLE

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Convertible bonds (Note i)	116,116	112,592
Non-convertible bonds (Notes ii, iii, iv)	75,742,833	52,896,037
Subordinated notes (Notes v)	35,875,663	35,851,697
Asset backed securities (Notes vi)	1,989,667	1,092,972
Others (Notes vii)	1,142,312	10,646,110
	114,866,591	100,599,408
Analysed for reporting purpose as:		
Current liabilities	10,242,032	10,793,748
Non-current liabilities	104,624,559	89,805,660
	114,866,591	100,599,408

Notes:

- (i) Group's subsidiary Haitong International Securities Group Limited ("HISGL") has issued convertible bonds in principal amount of HKD1,008 million (equivalent to RMB862 million) and HKD1,164 million (equivalent to RMB995 million) in 2013 and 2014 respectively and these convertible bonds bear interest at a fixed rate of 1.25% per annum with a maturity period of 5 years respectively. The values of the liability component and the equity conversion component were determined at the issuance of the bonds.

As at 30 June 2016 and 31 December 2015, the conversion prices of convertible bonds issued by the HISGL in 2013 and 2014 are HKD3.10 (equivalent to RMB2.65) per share and HKD5.17 (equivalent to RMB4.33) per share respectively after the rights issue announced on 18 March 2015 and determination of the right to the entitlement of the final dividend as resolved by the owners of HISGL on 8 June 2015 as well as the issue of new shares on 27 October 2015 under interim dividend of HKD20 cents (equivalent to RMB0.17) per share for the six months ended 30 June 2015 in form of scrip dividend.

During the year ended 31 December 2015, convertible bonds issued by the HISGL in 2013 and 2014 with the principal amount of HKD1,006 million (equivalent to RMB860 million) and HKD1,027 million (equivalent to RMB878 million) were converted into ordinary shares of HISGL.

During the period ended 30 June 2016, no convertible bonds issued by the HISGL in 2013 and 2014 were converted into ordinary shares of the company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

39. BONDS PAYABLE (continued)

Notes: (continued)

- (ii) On 11 September 2014, the Group's wholly owned subsidiary Haitong International Finance 2014 Limited issued guaranteed bonds in principal amount of USD600 million (equivalent to RMB3,896 million) which is guaranteed by the Haitong International Holdings Limited ("HTIH"). Please refer to the related announcements made by HISGL on 4 and 11 September 2014 as well as 2014 audited consolidated financial statements for details of the bond.

On 29 January 2015, the Group's wholly owned subsidiary Haitong International Finance 2015 Limited issued guaranteed bonds in principal amount of USD700 million (equivalent to RMB4,546 million). Please refer to the announcements made by HISGL on 22, 23 and 29 January 2015 for details of the bond.

On 30 May 2014 and 18 September 2014, the Group's wholly owned subsidiary Unican Limited issued guaranteed medium-term note in principal amount of RMB500 million and RMB1,600 million at par respectively. These notes carries a fixed annual interest rate with a maturity period of 3 years.

On 18 November 2014, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note in principal amount of RMB400 million at par with a maturity period of 3 years with fixed annual interest rate.

On 2 July 2015, the Group's wholly owned subsidiary Unican Limited issued medium term note in principal amount of RMB1,000 million which carries a fixed annual interest with a maturity period of 3 years.

On 19 January 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note in principal amount of RMB400 million with a maturity period of 3 years and annual interest rate of 3.6%.

On 3 June 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note in principal amount of RMB600 million with a maturity period of 5 years and annual interest rate of 4.07%. The issuer has the right to adjust the coupon rate at the end of the third year while the investors have the right to sell it back.

On 29 October 2013, the Group's subsidiary Haitong International Finance Holdings Limited issued corporate bonds in principal amount of USD900 million (equivalent to RMB5,844 million), which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate with a maturity period of 5 years. The par value will be fully redeemed till maturity date.

The Company entered into a keepwell deed for the above bonds. The Company will undertake to cause Haitong International Finance Holdings Limited to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Haitong International Finance Holdings Limited of any amounts payable in respect of the notes in accordance with the terms and conditions of the notes any payments due under the keepwell deed.

On 21 April 2015, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds in principal amount of USD670 million (equivalent to RMB4,350 million) which is guaranteed by the Company and the bond is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate with a maturity period of 5 years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

39. BONDS PAYABLE (continued)

Notes: (continued)

(ii) (continued)

On 18 May 2016, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds overseas in principal amount of EUR100 million (equivalent to RMB738 million) which is guaranteed by the Company. The bond carries a fixed annual interest rate with a maturity period of 5 years.

On 26 May 2016, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds overseas in principal amount of EUR120 million (equivalent to RMB885 million) which is guaranteed by the Company. The bond carries a fixed annual interest rate with a maturity period of 5 years.

On 15 May 2015, the Group's wholly owned subsidiary Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) issued private placement note in principal amount of RMB200 million at par which carries a fixed annual interest rate of 5.9% with a maturity period of 3 years.

On 3 December 2015, Haitong Capital Investment Co., Ltd issued unguaranteed bonds in principal amount of RMB2,000 million. Among which, notes amounting to RMB1,400 million carries a fixed interest rate of 4.25% per annum with a maturity period of five years and notes amounting to RMB600 million carries a fixed interest rate of 3.9% per annum with a maturity period of three years.

(iii) On 25 November 2013, the Company issued non-convertible bonds in principal amount of RMB12 billion at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principle amounts are RMB7.26 billion, RMB2.35 billion and RMB2.39 billion and bear interest rate at 6.05% per annum, 6.15% per annum and 6.18% per annum, respectively.

On 14 July 2014, the Company issued non-convertible bonds in principal amount of RMB11 billion at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principal amounts are RMB5.65 billion, RMB4.55 billion and RMB0.8 billion and bear interest rate at 5.25% per annum, 5.45% per annum and 5.85% per annum, respectively.

On 18 May 2016, the Company issued non-convertible bonds in principal amount of RMB20 billion at par. Those bonds carry fixed interest rate with maturity terms of four years and five years, respectively. The principal amounts are RMB15 billion and RMB5 billion and bear interest rate at 3.60% per annum (with issuer's callable option at the end of the 3rd year) and 3.80% per annum, respectively.

(iv) As at 30 June 2016, the non-current portion and current portion of outstanding loan balances of HKD1,042 million (equivalent to RMB891 million) (31 December 2015: HKD234 million (equivalent to RMB196 million)) and HKD2,310 million (equivalent to RMB1,974 million) (31 December 2015: HKD2,228 million (equivalent to RMB1,866 million)) represent the unsecured and unguaranteed non-convertible notes issued by HISGL in current year under HISGL's Medium Term Note Programme (the "MTN Programme"). The non-convertible notes bear a fixed interest rate in the range of 1.75% to 5.28% per annum.

During the first half 2016, the Haitong Bank Group issued debt securities amounting to EUR27 million (equivalent to RMB202 million) (31 December 2015: EUR116 million (equivalent to RMB821 million)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

39. BONDS PAYABLE (continued)

Notes: (continued)

- (v) On 8 April 2015, the Company issued subordinated notes in principal amount of RMB15 billion at par. The note carries a fixed interest rate of 5.5% per annum with a maturity period of 5 years, the Company has an option to redeem all or some of these notes at the face value on 8 April 2018.

On 12 June 2015, the Company issued subordinated notes in principal amount of RMB20 billion at par. Among which, notes amounting to RMB15 billion carries a fixed interest rate of 5.30% per annum with a maturity period of three years and notes amounting to RMB5 billion carries a fixed interest rate of 5.38% per annum with a maturity period of five years. The Company has an option to redeem all or some of notes at the face value on 12 June 2017 and 12 June 2018, respectively.

As at 30 June 2016, the book value of subordinated debt issued by Haitong Bank is EUR 215 thousand (equivalent to RMB1,586 thousand). The interest rate indexed to CMS. The subordinated debt issued in year 2003 and will expire in year 2033.

On 15 December 2015, the Haitong Futures Co., Ltd issued subordinated note in principal amount of RMB500 million at par which carries a fixed annual interest rate of 4.94% with a maturity period of 6 years.

On 9 November 2015, Shanghai Haitong Securities Asset Management Company Limited, the subsidiary of the Group issued subordinated note in principal amount of RMB1 billion at par which carries a fixed annual interest rate of 4.95% with a maturity period of 5 years.

- (vi) On 7 May 2015, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note in principal amount of RMB1,362 million under the Measures for the Administration of the Filing of Asset-Backed Special Programs. As at 31 December 2015, asset-backed note of RMB14 million was held by Haitong Unitrust Finance & Leasing Corporation.

On 22 April 2016, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note in principal amount of RMB1,200 million under the Measures for the Administration of the Filing of Asset-Backed Special Programs. As at 30 June 2016, asset-backed note of RMB60 million was held by Haitong Unitrust Finance & Leasing Corporation which accounts for 5% of the total amount.

- (vii) According to SAC's letter on approving the pilot of OTC income certificate business (SAC[2014]285), the Group was authorized to conduct income certificate business. The amount represents several products issued by the Group with maturities ranged from 13 months to 25 months. The corresponding yield of the outstanding income certificate were between 3.2% and 6.0%. Those products which will be settled within one year from year end are classified as the current portion of bonds payable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

40. OTHER PAYABLES AND ACCRUALS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> <i>(audited)</i>
Accrued staff cost (Note i)	3,816,537	4,738,366
Business tax and other tax payable	607,412	910,824
Dividends payable	5,206,698	7,536
Risk reserve	315,501	257,237
Client settlement payables	940,236	1,522,701
Pending payable to clearing house	3,213,081	1,798,608
Finance lease guarantee deposits	514,980	445,104
Interest payables	2,565,404	3,505,681
Amounts due to brokers	777,063	755,041
Notes payable	557,090	338,401
Acting underwriting securities	–	540,952
Warehouse receipt received in advance	644,875	–
Others (Note ii)	1,850,288	1,329,448
	21,009,165	16,149,899
Analysed for reporting purpose as:		
Current liabilities	19,728,820	15,504,612
Non-current liabilities (Note i)	1,280,345	645,287
	21,009,165	16,149,899

Notes:

- (i) During the year 2016, the Group set up a detail plan for the payment of employees' bonus accrued based on the performance of current year. Amounting to RMB300,437,000 (31 December 2015: RMB300,612,000) of the Group and amounting to RMB260,912,000 of the Company is planned to be settled after one year and classified as non-current liabilities.
- (ii) Others represent of the Company primarily accrued operating expenses which are non-interest bearing and are repayable within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

41. PROVISIONS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
At beginning of the period	60,611	2,493
Addition during the period	9,855	60,611
Reversal during the period	(22,075)	(2,493)
Provision	48,391	60,611

These provisions are intended to cover certain contingencies related to the Group activities, including contingencies related to ongoing tax processes in oversea subsidiaries.

42. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Financial liabilities held for trading (Note i)	25,663,363	19,005,988
Designated as financial liabilities at fair value through profit or loss (FVTPL) – Structured products (Note iii)	6,921,821	6,975,411
– Gold lending (Note ii)	5,461,100	5,044,213
	38,046,284	31,025,612
Analysed for reporting purpose as:		
Current	33,104,372	24,837,241
Non-current (Note iii)	4,941,912	6,188,371
	38,046,284	31,025,612

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

42. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

- (i) Financial liabilities held for trading mainly consist of the liabilities arising from consolidation of structured entities.
- (ii) As at 30 June 2016, included in the Group's financial liabilities designated at fair value through profit or loss are gold lending contracts entered by the Group with counterparties.

The risk of economic exposure on these contracts is primarily net off by using forward contracts.

- (iii) As at 30 June 2016, included in the Group's financial liabilities designated at fair value through profit or loss are the issued structured notes by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates with the underlying investments related to listed equity investments in active markets and unlisted equity.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets designated as fair value through profit or loss. These structured products are designated as fair value through profit or loss as the risks, to which the Group is a contractual party, are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

As at 30 June 2016, amount of RMB4,941,912,000 structured product's maturity is over one year which is classified as non-current liabilities (31 December 2015: RMB6,188,271,000). Among which HKD620 million (equivalent to RMB529 million) is the cash paid by an external third party ("Initial Exchange Amount") to the Group for the total return swap transaction with a gross notional amount of HKD2,100 million (equivalent to RMB1,794 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

43. DERIVATIVE INSTRUMENTS

	30.6.2016 (unaudited)		31.12.2015 (audited)	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures contracts (Notes i)	–	–	–	–
Treasury futures contracts (Note ii)	–	–	–	–
Interest rate swap contracts (Note iii)	3,445,623	2,522,339	2,288,424	2,257,776
Equity swap contracts (Note iv)	20,023	226,873	12,783	236,348
Equity linked note	–	849,598	–	–
Forward contracts	410,859	202,780	213,480	505,449
Options (Note v)	467,269	109,887	387,988	59,967
Embedded equity instruments (Note v)	–	402	–	282
Debts linked note	466,780	–	440,407	–
Foreign exchange swap contracts	4,236	17,949	5,576	34,282
Credit default swap contracts	63,698	981,566	79,508	624,012
Total	4,878,488	4,911,394	3,428,166	3,718,116

Notes:

(i) Stock index futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 30 June 2016 and 31 December 2015. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. As at 30 June 2016, the contract value of the outstanding stock index futures contracts that the Group held for non-hedging the market risk of the securities is RMB85,608,000 (31 December 2015: RMB88,541,000) with fair value loss RMB1,245,000 (31 December 2015: fair value gain RMB30,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

43. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 30 June 2016. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period.

Contract	30.6.2016	
	Contract value	Fair value
	RMB'000	RMB'000
TF1609	3,959,396	(43,763)
Total	3,959,396	(43,763)
Less: settlement		43,763
Net position of TF contracts		–

Contract	31.12.2015	
	Contract value	Fair value
	RMB'000	RMB'000
T1603	60,033	(83)
T1603	1,979,088	(23,200)
TF1603	1,577,969	(11,559)
Total	3,617,090	(34,842)
Less: settlement		34,842
Net position of TF contracts		–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

43. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(iii) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap ("IRS") were settled daily in mainland China market and the corresponding payments or receipts were included in "clearing settlement funds" as at 30 June 2016. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period. As at 30 June 2016, under the daily mark-to-market and settlement arrangement, the contract values of the Group's IRS contracts are approximately RMB25,545,000,000 (31 December 2015: RMB21,311,000,000).

For IRS contracts in mainland China and oversea market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period. As at 30 June 2016, for IRS contracts not under the daily mark-to-market and settlement arrangement, the contract values of those IRS contracts of the Group are approximately RMB66,396,449,000 (31 December 2015: RMB69,109,989,000).

	30.6.2016 (unaudited)		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settle in Shanghai Clearing House	25,545,000	–	(5,796)
IRS – non-centralized settlement	66,396,449	3,445,623	(2,522,339)
Total	91,941,449	3,445,623	(2,528,135)
Less: settlement		–	5,796
Net position of IRS contracts		3,445,623	(2,522,339)
		31.12.2015 (audited)	
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settle in Shanghai Clearing House	21,311,000	–	(5,265)
IRS – non-centralized settlement	69,109,989	2,288,424	(2,257,776)
Total	90,420,989	2,288,424	(2,263,041)
Less: settlement		–	5,265
Net position of IRS contracts		2,288,424	(2,257,776)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

43. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(iv) Equity swap contracts

At 30 June 2016, the Group holds notional principal approximately in amount of RMB1,061,684,000 (31 December 2015: 1,136,450,000).

(v) Options and embedded equity instruments contracts

As at 30 June 2016, the notional principal amounts of the Group's options in mainland China are approximately RMB375,015,392,000 with fair value loss of RMB15,304,000 (31 December 2015: RMB252,358,936,000 with fair value loss of RMB13,905,000). The notional principal amounts of the Group's options in Hong Kong and overseas are approximately RMB68,366,730,000 with fair value gain of RMB372,686,000 (31 December 2015: RMB3,262,423,000 with fair value gain of RMB341,926,000). As at 30 June 2016, the notional principal amounts of the Group's embedded equity instruments are approximately RMB195,540,000 (31 December 2015: RMB90,750,000) with fair value loss RMB402,000 (31 December 2015: fair value loss RMB282,000).

44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Analysed as collateral type:		
Stock	–	998,382
Bonds	34,134,837	29,633,244
Loans and advances to customers on margin financing and finance lease receivables	12,368,110	67,944,910
	46,502,947	98,576,536
Analysed by market:		
Stock Exchange	6,895,873	6,787,085
Inter-bank market	13,183,062	22,846,158
OTC	26,424,012	68,943,293
	46,502,947	98,576,536
Analysed for reporting purpose as:		
Current	43,705,619	90,951,854
Non-current	2,797,328	7,624,682
	46,502,947	98,576,536

As of 30 June 2016, the above current financial assets sold under repurchase agreements include those bond repurchase agreements entered into with qualified investors, which amounted to RMB1,022,074,000 for the Group, which amounted to RMB1,004,698,000 (31 December 2015: RMB8,254,843,000) matured within 3 months, amounted to RMB17,376,000 (31 December 2015: RMB41,575,000) matured with 3 months to 1 year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability.

As at 30 June 2016 and 31 December 2015, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

As at 30 June 2016

	Financial assets at fair value through profit or loss RMB'000	Available- for-sale investments RMB'000	Loan and receivable investments RMB'000	Advances to customers on margin financing RMB'000	Financial assets held under resale agreements RMB'000	Finance lease receivables RMB'000	Others RMB'000	Total RMB'000
Carrying amount of transferred assets	34,780,023	2,578,353	281,735	6,094,347	6,682,612	629,922	1,229,177	52,276,169
Carrying amount of associated liabilities	30,131,254	2,258,729	250,000	5,661,080	6,184,921	1,000,000	1,016,963	46,502,947
Net position	4,648,769	319,624	31,735	433,267	497,691	(370,078)	212,214	5,773,222

As at 31 December 2015

	Financial assets at fair value through profit or loss RMB'000	Available- for-sale investments RMB'000	Loan and receivable investments RMB'000	Advances to customers on margin financing RMB'000	Financial assets held under resale agreements RMB'000	Finance lease receivables RMB'000	Others RMB'000	Total RMB'000
Carrying amount of transferred assets	28,012,009	1,572,939	1,449,929	44,642,636	25,185,376	1,430,089	952,193	103,245,171
Carrying amount of associated liabilities	26,056,249	1,366,519	1,380,297	43,260,391	24,290,719	1,270,000	952,361	98,576,536
Net position	1,955,760	206,420	69,632	1,382,245	894,657	160,089	(168)	4,668,635

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

45. DEFERRED TAXATION

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

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> <i>(audited)</i>
Deferred tax assets	2,874,034	2,516,143
Deferred tax liabilities	(708,293)	(665,909)
	2,165,741	1,850,234

The following are the major deferred tax assets (liabilities) recognised and movements thereon:

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Accelerated depreciation <i>RMB'000</i>	Derivative assets <i>RMB'000</i>	Accrued but not paid expenses <i>RMB'000</i>	Available- for-sale investments <i>RMB'000</i>	Derivative liabilities <i>RMB'000</i>	Provision of loans and receivables <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015	(532,526)	(9,689)	(685)	258,830	(160,548)	107,374	141,463	4,401	(191,380)
Arising from the acquisition of a subsidiary	-	-	59,853	52,431	56,663	-	584,292	104,100	857,339
Credit (charge) to profit or loss	318,949	(6,947)	8,387	704,558	9,534	32,474	264,808	8,657	1,340,420
Other comprehensive income	-	-	-	-	(162,378)	-	-	-	(162,378)
Effects of exchange rate	-	(597)	-	501	(21)	12	6,065	273	6,233
At 31 December 2015	(213,577)	(17,233)	67,555	1,016,320	(256,750)	139,860	996,628	117,431	1,850,234
Credit (charge) to profit or loss	190,402	543	(202,972)	(214,422)	(29,045)	(118,286)	77,815	59,430	(236,535)
Other comprehensive income	-	-	-	-	527,405	-	-	-	527,405
Effects of exchange rate	89	(346)	1,369	1,320	1,315	-	18,463	2,427	24,637
At 30 June 2016	(23,086)	(17,036)	(134,048)	803,218	242,925	21,574	1,092,906	179,288	2,165,741

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

46. LONG-TERM PAYABLES

	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Deposits from lessees	2,686,542	2,278,606
Others	15,086	57,602
	2,701,628	2,336,208

Long-term payables are mainly due to the guaranteed fund received by the Group through finance leasing business. All amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

47. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2015 (audited),	8,092,131	8,092,131	1,492,590	1,492,590	9,584,721	9,584,721
Private placement (Note)	–	–	1,916,979	1,916,979	1,916,979	1,916,979
At 31 December 2015,						
At 1 January 2016 (audited)	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700
At 30 June 2016 (unaudited)	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700

Note:

As approved by the shareholders at the 2015 first extraordinary general meeting, 2015 first A shareholders' class meeting, 2015 first H shareholders' class meeting and obtained the China Securities Regulatory Commission ("CSRC") approval at Zheng Jian Xu Ke No. [2015]811, Approval on Issuing Additional Oversea Listing Shares of Haitong Securities Co., Ltd, the Company has made non-public offering on H shares during 2015.

On 15 May 2015 and 29 May 2015, the Company issued 1,048,141,000 and 868,838,000 H shares with nominal value of RMB1 per share at issuing price of HKD17.18 per share, respectively. The respective net proceed from the fund-raising after deducting the expenses in connection with the issue was RMB equivalent 25,875,204,000, of which RMB1,916,979,000 was recorded in "Share Capital" and RMB24,071,378,000 was recorded in "Capital Reserve".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

48. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Leases for the properties are negotiated for a term from 1 to 10 years.

At 30 June 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Within one year	338,183	271,120
In the second to fifth year, inclusive	547,940	374,264
Over five years	55,565	16,444
	941,688	661,828

The Group as lessor

The lease terms are negotiated for a term from 1 to 10 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2016 RMB'000	31.12.2015 <i>RMB'000</i>
Within one year	13,385	14,460
In the second to fifth year, inclusive	29,040	30,663
Over five years	6,070	9,338
	48,495	54,461

49. CAPITAL COMMITMENT

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	38,131	56,739

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

50. DIVIDENDS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Dividends recognised as distribution	5,319,848	3,458,461

Pursuant to the resolution of annual general meeting for 2015 and 2014, the Company declared 2015 and 2014 final dividend of RMB0.45 (inclusive of tax) and RMB0.25 (inclusive of tax) per share respectively, which total amount are RMB5,175,765,000 (inclusive of tax) and RMB2,875,425,000 (inclusive of tax), satisfied by cash.

51. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the group set out in note 16 above, the name and the relationship of other related parties are set out as below:

<u>Name of the related party</u>	<u>Relationship of the related party</u>
BNP Paribas Investment Partners BE Holding SA	Holds more than 10% of the shares of the subsidiary
BNP Paribas (China) Limited	Note
BNP Paribas Investment Partners Japan Ltd	Note
BNP Paribas Investment Partners Singapore Ltd	Note
BNP Paribas Wealth Management Bank	Note
BNP Paribas Investment Partners Switzerland Ltd	Note
BNP Paribas	Note
BNP Paribas Investment Partners Hong Kong Ltd	Note
Shinhan BNP Paribas Asset Management Co., Ltd	Note
BNP Paribas Investment Ltd (Asia)	Note
Shanghai Shengyuan Real-Estate (Group) Co., Ltd	Note
China-Belgium Direct Equity Investment Fund	A fund managed by the Group

Note: The subsidiary of the company which holds more than 10% of the shares of the Group's subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

51. RELATED PARTY TRANSACTIONS (continued)

The Group had the following material transactions with the related parties for the period ended 30 June 2016 and 31 December 2015:

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Commission and fee income:		
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	10,500	10,000
– Xi'an Aerospace and New Energy Industry Fund	9,659	9,960
– Shanghai Equity Investment Fund Limited Partnership	30,034	30,460
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	2,940	2,940
– China-Belgium Direct Equity Investment Fund	276	–
– Entities Related to BNP Paribas (Note A)	11,445	15,553
– Others (Note B)	32,959	22,756

Note A: Entities related to BNP Paribas include BNP Paribas Investment Partners BE Holding SA, BNP Paribas (China) Limited, BNP Paribas Investment Partners Japan Ltd, BNP Paribas Investment Partners Singapore Ltd, BNP Paribas Wealth Management Bank, BNP Paribas Investment Partners Switzerland Ltd, BNP Paribas, BNP Paribas Investment Partners Hong Kong Ltd, Shinhan BNP Paribas Asset Management Co., Ltd., and BNP Paribas Investment Ltd (Asia).

Note B: Others include Shanghai Cultural Industries Investment Fund (Limited Partnership), Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership), Fullgoal Fund Management Co. Ltd. and Shanghai Shengyuan real estate (Group) Co., Ltd.

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Interest expense:		
– Fullgoal Fund Management Co. Ltd.	(9)	(9)
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	(521)	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	(311)	–
Administration expense:		
– Entities Related to BNP Paribas	(615)	(981)

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For the six months ended 30 June 2016

51. RELATED PARTY TRANSACTIONS (continued)

	30.6.2016 RMB'000 (unaudited)	31.12.2015 <i>RMB'000</i> (audited)
Accounts receivable from:		
– Fullgoal Fund Management Co. Ltd.	–	764
– China-Belgium Direct Equity Investment Fund	–	38,000
– Shanghai Equity Investment Fund Limited Partnership	29,684	–
– Entities Related to BNP Paribas	3,831	7,390
Interest receivable from:		
– Shanghai Shengyuan real estate (Group) Co., Ltd.	–	277
Financial assets held under resale agreements:		
– Shanghai Shengyuan real estate (Group) Co., Ltd.	–	91,199
Accounts payable to:		
– Entities Related to BNP Paribas	(323)	(629)
Short-term financing bills payable to:		
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	(30,003)	–
– Shanghai Equity Investment Fund Limited Partnership	(310,783)	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	(155,228)	–
Financial assets sold under repurchase agreements:		
– Xi'an Aerospace and New Energy Industry Fund	–	(80,000)
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	–	(189,000)
Accounts payable to brokerage clients:		
– Fullgoal Fund Management Co. Ltd.	(8)	(477)

The remuneration of the key management personnel of the Group was as follows:

	30.6.2016 RMB'000 (unaudited)	30.06.2015 <i>RMB'000</i> (audited)
Short-term benefits:		
– Fees, salaries, commission and bonuses	29,132	14,422
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	1,516	1,785
Total	30,648	16,207

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For the six months ended 30 June 2016

52. SEGMENT REPORTING

The segment information provided to the chief operating decision maker for the six months ended 30 June 2016 and the six months ended 30 June 2015 are as follows:

For the six months ended 30 June 2016 (unaudited)

	Securities and futures brokerage	Asset management	Proprietary trading	Investment banking	Direct investment	Headquarters and others	Finance lease	Overseas operations	Segment total	Eliminations	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results											
Revenue											
– External	7,516,515	476,782	1,412,341	851,479	496,943	2,071,050	1,174,010	3,395,579	17,394,699	-	17,394,699
– Inter-segment	714,347	141,959	53,411	47,910	33,612	1,125,315	-	-	2,116,554	(2,116,554)	-
Other income and gains	(57,417)	5,837	1,776,791	(48)	-	323,077	403,044	76,711	2,527,995	-	2,527,995
Segment revenue	8,173,445	624,578	3,242,543	899,341	530,555	3,519,442	1,577,054	3,472,290	22,039,248	(2,116,554)	19,922,694
Segment expenses	(5,361,736)	(423,002)	(2,402,247)	(310,568)	(43,086)	(3,918,643)	(1,011,598)	(3,081,217)	(16,552,097)	1,992,069	(14,560,028)
Segment results	2,811,709	201,576	840,296	588,773	487,469	(399,201)	565,456	391,073	5,487,151	(124,485)	5,362,666
Share of results of associates	-	-	-	-	9,326	91,380	-	31,444	132,150	-	132,150
Profit before income tax	2,811,709	201,576	840,296	588,773	496,795	(307,821)	565,456	422,517	5,619,301	(124,485)	5,494,816

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

52. SEGMENT REPORTING (continued)

For the six months ended 30 June 2015 (unaudited)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Finance lease RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results											
Revenue											
- External	15,056,742	1,574,174	4,204,311	949,625	270,878	1,594,043	973,456	3,380,396	28,003,625	-	28,003,625
- Inter-segment	765,623	132,694	-	4,383	6,640	1,625,986	-	55,516	2,590,842	(2,590,842)	-
Other income and gains	14,178	11,155	1,243,151	800	-	514,874	307,901	(18,116)	2,073,943	-	2,073,943
Segment revenue	15,836,543	1,718,023	5,447,462	954,808	277,518	3,734,903	1,281,357	3,417,796	32,668,410	(2,590,842)	30,077,568
Segment expenses	(8,619,667)	(977,028)	(1,944,430)	(302,171)	(35,618)	(4,220,811)	(909,082)	(1,538,369)	(18,547,176)	2,253,638	(16,293,538)
Segment results	7,216,876	740,995	3,503,032	652,637	241,900	(485,908)	372,275	1,879,427	14,121,234	(337,204)	13,784,030
Share of results of associates	-	-	-	-	2,911	137,547	-	28,373	168,831	-	168,831
Profit before income tax	7,216,876	740,995	3,503,032	652,637	244,811	(348,361)	372,275	1,907,800	14,290,065	(337,204)	13,952,861

The Group operates mainly in three principal geographical areas, the mainland China (excluding Hong Kong) and Hong Kong, representing the location of majority of the income from external customers and non-current assets of the Group and Europe (the operation area of Group's subsidiary). Segment revenue and non-current assets in respect of overseas operations segment are substantially attributable to Hong Kong and Europe. The remaining segment revenue and non-current assets are attributable to the mainland China. No single customers contribute more than 10% of income to the Group's income for the period ended 30 June 2015 and 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity and debt investments, loans and advances, advances to customers on margin financing, accounts receivable, other loan and receivables, held-to-maturity investments, finance lease receivables, derivatives financial assets, placements to banks and other financial institutions, other receivables and prepayments, financial assets held under resale agreements, deposit with exchange, clearing settlement funds, bank balances and cash, restricted bank deposits, borrowings, financial assets sold under repurchase agreements, accounts payable to brokerage clients and other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk of business other than banking

Credit exposures arise principally from investments in debt securities, advances to customers on margin financing, accounts receivable, financial assets held under resale agreements, placements to banks and other financial institutions, finance lease receivables, clearing settlement funds and bank balances which are included in the Group's asset portfolios.

Credit exposure arising from investments in debt securities and other interest-bearing assets include downgrading of credit rating of the debt securities and/or of its underlying issuers and default of payments by the issuers. The Group has implemented a policy mainly to invest in debt securities with ratings not below A-3 (short-term) and BBB (mid and long term). Management also closely monitors the credit ratings of respective debt securities on a regular basis and the financial soundness of the underlying issuers.

The Group provides clients with margin financing for securities transactions and securities lending to clients, which are secured by clients' securities or deposits held as collateral. Management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. In addition, the Group reviews the recoverable amount of each client regularly to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the trades of margin clients exceed their respective limits. Any such excess is required to be made good within the next trading day. Failure to meet margin calls may result in the liquidation of the client's positions. The Group seeks to maintain strict control over its outstanding receivables.

As at 30 June 2016, Advances to customers on margin financing are secured and/or backed by guarantee. Credit limits are set for borrowers. Apart from collateral monitoring, the Group seeks to maintain tight control over its loans and advances in order to minimise credit risk by reviewing the borrowers' or guarantors' financial positions.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management. Accounts receivable from cash clients who are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the respective reporting date. Accounts receivable from cash clients which are past due but not impaired represent client trades on various securities exchanges which are unsettled beyond the settlement date. When the cash clients failed to settle on settlement date, the Group has a right to force-sell the collateral underlying the securities transactions. The outstanding accounts receivable from cash clients as at 30 June 2016 and 31 December 2015 are not considered to be impaired after taking into consideration the recoverability from collateral. Collateral held against such receivables are publicly traded securities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk of business other than banking (continued)

The credit risk of the Group regarding finance lease receivables is that lessee fail to fulfil contractual obligations. The Group established standard policies and operational procedures and controls over finance lease activities, which include project due diligence and application, project review and approval, disbursement, post-lending monitoring and management of non-performing finance lease receivables etc. Through implementation of these standard policies and procedures, effective use of business information system and continuous optimising the portfolio of finance lease receivables, the Group is able to identify, monitor and manage its credit risk in its portfolio. Changes in economic environment or a particular industry may result in losses to the Group. The finance lease business activities are carried out in different regions of Mainland China with their unique economic characteristics. As a result, the management of Haitong UT Capital, a wholly-owned subsidiary of the Group, which mainly engages in finance leases business, monitors credit risk closely. Haitong UT Capital's business department, credit department, operation department, legal department and risk management department are responsible for monitoring credit risk and reporting to the Group's management periodically. The Group sets credit limit for each borrower and monitors the credit limit by regular review.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Credit exposure arising from bank products is considered to be limited as the Group only invest in low-risk bank products issued by state-owned banks and large commercial banks.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group's major credit exposures are with counterparties domiciled in the PRC as of 30 June 2016 and 31 December 2015.

Credit risk of Banking business

Credit risk represents the possibilities of the potential financial loss arising from the failure of a borrower or counterparty to honor its contractual obligation. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterparty risk).

Credit portfolio management is an ongoing process that requires the interaction between the various teams responsible for the risk management during the consecutive stages of the credit process. This approach is complemented by the continuous introduction of improvements in the methodologies, in the risk assessment and control tools.

The Haitong Bank's risk profile is periodically monitored, especially in what concerns the evolution of credit exposure and credit lines. Which are equally subject to daily analysis the observance of approved credit limits and the correct functioning of the mechanisms associated to credit approval.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk of business other than banking

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from the market in the capacity of a financial institution, and the ability to close out market positions. As part of the measures to safeguard liquidity, the Group has maintained substantial long-term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

Liquidity risk of Banking business

The liquidity risk of the banking business of the Group refers to the risk that the Bank was unable to obtain sufficient funds in a timely manner with a reasonable cost, so as not to repay the debts and other obligations on due and meet other funding needs of running business.

The operating fund of the bank is centrally managed by the financial department. Adhering to the "Prudent" philosophy on risk management from the Group, the Bank implemented the "Prudent" methods to manage liquidity risk and maintained sufficient fund to meet the funding needs in various periods. Haitong Bank kept monitoring and tracking the mismatch of the assets and liabilities position of the Bank constantly, to comply with "Prudent" philosophy on risk management

In addition, Haitong bank calculated the liquidity ratio according to the laws and regulations in Portugal.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, interest rate risk and currency risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk

Price risk of business other than banking

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as financial assets held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of investments and have started hedging exposure by entering into derivatives contracts since 2010.

The Group have utilised the effect of stock price variation on net profit and revaluation reserve within the period to manage and analyse the price risk. When reporting internally to the key management on risk, the management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the profit for the period and investment revaluation reserve are as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Profit for the period		
Increase by 10%	621,065	510,988
Decrease by 10%	(621,065)	(510,988)
Investment revaluation reserve		
Increase by 10%	218,237	46,744
Decrease by 10%	(218,237)	(46,744)

In the above analysis, management also considers the case of an available-for-sale equity investment that a reasonably possible downward fall in the equity price would lead the investment to be impaired, the effect of loss would be shown as affecting profit or loss and the cumulative loss previously recognised in investment revaluation reserve would be reclassified to profit or loss, but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In the case that an available-for-sale equity investment that has already been impaired, a reasonably possible downward fall in the equity price may continue to be recognised in profit or loss but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the period end exposure does not reflect the exposure during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk

Interest rate risk of business other than banking

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's bank balances and cash, restricted bank balance and cash, advances to customers on margin financing, clearing settlement funds, deposits with exchanges, debt securities, placements to banks and other financial institutions and finance lease receivables. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate repricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derive net interest income.

Fluctuations of prevailing rate quoted by the People's Bank of China and Hong Kong Inter-bank Offered Rate are the major sources of the Group's cash flow interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate financial assets and liabilities. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the period. When reporting to the management on the interest rate risk, the Group will adopt a 50 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the period would decrease/increase for the period ended 30 June 2016 and 30 June 2015 by RMB109,622,000 and RMB155,055,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances, held for trading fixed-rate securities investments, accounts payable to brokerage clients and bonds payables; and
- Investment revaluation reserve for the period ended 30 June 2016 and 30 June 2015 would decrease/increase by RMB17,246,000 and RMB18,220,000, respectively, mainly as a result of the changes in the fair value of available-for-sale debt investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk

Currency risk of business other than banking

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. With the internationalization of the Group, the currency risk is increasing as the foreign currency assets and liabilities associated with oversea business, FTA business and leasing business gradually increase. According to the Group's request, the subsidiaries and operating departments should recognize, manage and avoid the foreign currency risk when deal with the relative business. With regards to the currency risk exposure, the Group is actively trying to hedge and mitigate the risk by a series of means, such as foreign forward contracts, renewing the foreign debt and matching the foreign assets with liabilities, aiming to mitigate the currency risk and make it under control,, As of 30 June 2016, the group's currency risk is under management's control.

Market risk of banking business

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates or share prices.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk (VaR) valuation criteria is used. Haitong Bank subgroup VaR model uses the Monte Carlo simulation, based on a confidence level of 99% and an investment period of 10 days. Volatilities and correlations are historical, based on an observation period of one year.

As a complement to VaR stress testing has been developed, allowing to evaluate the impact of potential losses higher than the ones considered by VaR.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- the fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Financial instruments measured at fair value on a recurring basis

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external appraisers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

Financial assets/ Financial liabilities	Classified as	Fair value as at 30 June 2016 in RMB '000	Fair value as at 31 December 2015 in RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Listed options	Derivative instruments	3,611 (Assets) 5,956 (Liabilities)	54,051 (Assets) 1,992 (Liabilities)	Level 1	The fair value of listed option was determined by quoted bid prices in an active market.	N/A	N/A
2) Unlisted options	Derivative instruments	463,658 (Assets) 103,931 (Liabilities)	333,937 (Assets) 57,975 (Liabilities)	Level 2	The fair value of unlisted options are estimated based on option pricing model, in consideration of contract term, share price, interest rate, etc.	N/A	N/A
3) Equity linked notes and Debt linked notes	Derivative instruments	466,780 (Assets) 849,598 (Liabilities)	440,407 (Assets)	Level 2	The fair value of the equity linked notes and debt linked notes were determined with reference to the quoted price of the underlying equity and debt instruments.	N/A	N/A
4) Forward contracts	Derivative instruments	410,859 (Assets) 202,780 (Liabilities)	213,480 (Assets) 505,449 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on observable forward exchange rates and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
5) Interest rate, foreign exchange and credit default swap contracts	Derivative instruments	3,513,557 (Assets) 3,521,854 (Liabilities)	2,373,508 (Assets) 2,916,070 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
6) Embedded equity instruments	Derivative instruments	402 (Liabilities)	282 (Liabilities)	Level 2	The fair value of embedded equity instruments are estimated based on option pricing model, in consideration of contract term, share price, interest rate, etc.	N/A	N/A
7) Equity swap contracts	Derivative instruments	20,023 (Assets) 226,873 (Liabilities)	12,783 (Assets) 236,348 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated with reference to the market or recent transaction prices of underlying assets, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 30 June 2016 in RMB '000	Fair value as at 31 December 2015 in RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
8) Listed equity investments (non-restricted shares), funds investments and debt investments	Financial assets at fair value through profit or loss	31,706,610	36,573,118	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Financial liabilities held for trading	3,834,668	1,335,018	Level 1	Quoted bid prices in an active market for listed equity investments.		
	Available-for-sale investments	6,639,182	3,408,403	Level 1	Quoted bid prices in an active market.		
9) Unlisted equity investments (non-restricted shares)	Financial assets at fair value through profit or loss	2,425,707	2,411,747	Level 2	The fair value was based on the recent transaction price of the investments.	N/A	N/A
		834,068	851,596	Level 2	The fair value of equity investments in the National Equities Exchange and Quotations was based on the recent transaction price of the investments.		
		3,181,111	4,780,120	Level 3	Discounted cash flow. The fair value is derived from the net asset value of such unlisted direct equity investment that is mostly attributable from its underlying listed equity investment which is a restricted share with its fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the quoted market prices of the shares.	The higher the discount, the lower the fair value.
	Available-for-sale investments	128,962	151,102	Level 2	Fair values have been determined based on the market value of related listed equities issued by the same listed companies.	N/A	N/A
		141,480	141,480	Level 2	The fair value was determined with reference to the recent transaction price of the investments.		
		797,487	–	Level 2	The fair value was determined with reference to the recent transaction price of the investments.		
	24,527	26,627	Level 3	Fair value of the investments consist on the use of internal valuation models or quotations provided by third parties.	Discount for lack of marketability with reference to the quoted market prices of the shares.	The higher the discount, the lower the fair value.	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 30 June 2016 in RMB '000	Fair value as at 31 December 2015 in RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
10) Debt investments in interbank market	Financial assets at fair value through profit or loss	34,330,473	24,018,184	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
	Financial liabilities held for trading	2,640,670	788,606				
	Available-for-sale investments	5,501,897	685,548				
		534,914	528,269	Level 3	Fair value of the investments consist on the use of internal valuation models or quotations provided by third parties.	Discount for lack of marketability with reference to the quoted market prices of the shares.	The higher the discount, the lower the fair value.
11) Unlisted fund investments	Financial assets at fair value through profit or loss	11,512,770	37,986,083	Level 2	Based on the net asset values of the funds, determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	Available-for-sale investments	6,166,323	5,540,985				
		149,502	147,724	Level 3			
12) Investments in structure products, trust and other products (investing in equity or debt other than unlisted private equity)	Financial assets at fair value through profit or loss	1,746,998	2,033,108	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable(quoted) prices of underlying investment portfolio. and adjustments of related expenses.	N/A	N/A
	Available-for-sale investments	21,038,762	23,979,015				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 30 June 2016 in RMB '000	Fair value as at 31 December 2015 in RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
13) Restricted shares and funds	Available-for-sale investments	2,904,249	3,252,221	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the prices of listed securities.	The higher the discount, the lower the fair value.
14) Financial liabilities arising from consolidation of structured entities	Financial liabilities held for trading	19,188,025	16,882,364	Level 2	Based on the net asset values of the structured entities, determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
15) Structured notes issued	Financial assets at fair value through profit or loss	3,213,205	1,786,451	Level 1	The fair value was determined with reference to the underlying listed equity investments.	N/A	N/A
	Financial liabilities designated as FVTPL	3,795,713	2,740,731	Level 2	The fair value was determined with reference to the market or recent transaction prices of underlying assets.		
		1,209,011	694,474		The fair value of the investment was determined with reference to dealing price of the underlying unlisted debt investment which is based on discounted cash flow that the future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.		
		1,917,097	3,540,206	Level 3	Discounted cash flow. The fair value is derived from the net asset value of such unlisted direct equity investment that is mostly attributable from its underlying listed equity investment which is a restricted share with its fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the quoted market prices of the shares.	The higher the discount, the lower the fair value.
16) Gold lending business	Financial liabilities designated as FVTPL	5,461,100	5,044,213	Level 2	The fair value was determined with reference to the fair value of the underlying gold.	N/A	N/A
17) Investments in structure products	Available-for-sale investments	2,341,152	2,309,195	Level 3	Discounted future cash flows based on expected cash flows discounted at rate taking into account of the credit risk of the issuer.	Credit risk spread (loss given default)	The higher the loss given default, the lower the fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

As at 30 June 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	836,509	15,455	2,284,849	3,136,813
Financial services	1,488,101	851,165	443,021	2,782,287
Information transmission, software and information technology	–	76,617	47,096	123,713
Transportation, storage and postal services	122,600	–	28,399	150,999
Wholesales and retail	46,710	–	–	46,710
Real Estate	68,237	24,541	–	92,778
Water conservancy, environment and public facilities management	196,853	–	24,182	221,035
Culture, sports and entertainments	–	368	101,229	101,597
Leasing and business services	36,774	75,200	–	111,974
Comprehensive	–	24,583	–	24,583
Scientific research and technical services	61,500	–	–	61,500
– Debt securities				
Corporate bonds	750,766	3,195,895	515,182	4,461,843
Government bonds	2,229,342	–	–	2,229,342
Other debts	721,450	2,306,002	19,732	3,047,184
– Funds	80,340	6,166,323	149,502	6,396,165
– Others				
Asset management plan and other	–	20,603,117	2,341,152	22,944,269
Trust	–	8,310	–	8,310
Others	–	427,335	–	427,335
Subtotal	6,639,182	33,774,911	5,954,344	46,368,437

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

As at 30 June 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	1,423,781	629,615	3,181,111	5,234,507
Financial services	2,650,831	612,437	–	3,263,268
Information transmission, software and information technology	438,896	652,481	–	1,091,377
Mining	2,753	2,306	–	5,059
Construction	3,085	20,712	–	23,797
Electricity, heat, gas and water production and supply	6,385	1,188	–	7,573
Transportation, storage and postal services	291,309	1,369	–	292,678
Wholesale and retail	739,239	17,874	–	757,113
Real Estate	563,103	20,391	–	583,494
Water conservancy, environment and public facilities management	67,574	4,938	–	72,512
Farming, forest, herd, fishery	70,084	6,561	–	76,645
Culture, sports and entertainments	129,973	64,475	–	194,448
Leasing and business services	2,299	31,142	–	33,441
Comprehensive	766	–	–	766
Scientific research and technical services	46,203	111,133	–	157,336
Accommodation and catering industry	207,210	–	–	207,210
Health and social work	1,555	1,083,153	–	1,084,708
– Debt securities				
Corporate Bond	5,010,391	18,755,531	–	23,765,922
Government Bond	9,338,751	2,542,696	–	11,881,447
Other bonds	1,030,453	13,032,246	–	14,062,699
– Funds	9,681,969	11,512,770	–	21,194,739
– Others				
Asset management plan	–	1,602,079	–	1,602,079
Others	3,213,205	144,919	–	3,358,124
– Derivative financial assets	3,611	4,874,877	–	4,878,488
Subtotal	34,923,426	55,724,893	3,181,111	93,829,430
Total assets	41,562,608	89,499,804	9,135,455	140,197,867
Derivative financial liabilities	5,956	4,905,438	–	4,911,394
Held for trading financial liabilities	3,834,668	21,828,695	–	25,663,363
Financial liabilities designated at FVTPL	–	10,465,824	1,917,097	12,382,921
Total liabilities	3,840,624	37,199,957	1,917,097	42,957,678
Net amounts of assets and liabilities	37,721,984	52,299,847	7,218,358	97,240,189

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	81,548	14,806	1,588,914	1,685,268
Financial services	158,871	141,480	1,579,456	1,879,807
Information transmission, software and information technology	45	710	57,290	58,045
Mining	–	–	–	–
Real Estate	–	35,936	–	35,936
Water conservancy, environment and public facilities management	–	–	26,236	26,236
Culture, sports and entertainments	–	354	304	658
Leasing and business services	13,822	75,200	26,648	115,670
Comprehensive	–	24,096	–	24,096
Scientific research and technical services	138,450	–	–	138,450
– Debt securities				
Corporate bonds	868,193	685,548	510,935	2,064,676
Government bonds	1,318,524	–	–	1,318,524
Other debts	739,169	–	17,334	756,503
– Funds	89,781	5,540,985	147,724	5,778,490
– Others				
Asset management plan and other Trust	–	23,957,275	2,309,195	26,266,470
	–	21,740	–	21,740
Subtotal	3,408,403	30,498,130	6,264,036	40,170,569

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	2,103,770	838,126	4,780,120	7,722,016
Financial services	4,883,125	1,459,431	–	6,342,556
Information transmission, software and information technology	1,179,109	694,591	–	1,873,700
Mining	62,694	7,630	–	70,324
Construction	8,026	21,122	–	29,148
Electricity, heat, gas and water production and supply	4,410	–	–	4,410
Transportation, storage and postal services	258,125	1,316	–	259,441
Wholesale and retail	207,953	7,911	–	215,864
Real Estate	721,686	13,407	–	735,093
Water conservancy, environment and public facilities management	34,307	7,332	–	41,639
Farming, forest, herd, fishery	213,408	13,905	–	227,313
Culture, sports and entertainments	14,183	62,798	–	76,981
Leasing and business services	3,721	23,970	–	27,691
Comprehensive	13,520	–	–	13,520
Scientific research and technical services	4,225	111,804	–	116,029
Accommodation and catering industry	30,850	–	–	30,850
– Debt securities				
Corporate bonds	4,410,619	16,154,991	–	20,565,610
Government bonds	10,946,301	3,835,369	–	14,781,670
Other bonds	885,535	4,027,824	–	4,913,359
– Funds	10,587,551	37,986,083	–	48,573,634
– Others				
Asset management plan	–	1,768,412	–	1,768,412
Others	1,786,451	264,696	–	2,051,147
– Derivative financial assets	54,051	3,374,115	–	3,428,166
Subtotal	38,413,620	70,674,833	4,780,120	113,868,573
Total assets	41,822,023	101,172,963	11,044,156	154,039,142
Derivative financial liabilities	1,992	3,716,124	–	3,718,116
Held for trading financial liabilities	1,335,018	17,670,970	–	19,005,988
Financial liabilities designated at FVTPL	–	8,479,418	3,540,206	12,019,624
Total liabilities	1,337,010	29,866,512	3,540,206	34,743,728
Net amounts of assets and liabilities	40,485,013	71,306,451	7,503,950	119,295,414

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

The following table represents the changes in Level 3 financial instruments for the 6 months ended 30 June 2016.

Available-for-sale investments

	Restricted Equity Securities				Fund RMB'000	Debt securities RMB'000	Others RMB'000	Total RMB'000
	Manufacturing RMB'000	Information transmission RMB'000	Financial industry RMB'000	Other industries RMB'000				
As at 1 January 2016	1,588,914	57,290	1,579,456	53,188	147,724	528,269	2,309,195	6,264,036
Purchase	570	-	-	108,400	-	56,998	26,227	192,195
Transfer out	(62,775)	-	(476,205)	(17,666)	-	(32,339)	(4,865)	(593,850)
Total gains or losses								
– in other comprehensive income	758,140	(10,194)	(660,230)	9,888	1,778	(18,014)	10,596	91,964
– in profit or loss	-	-	-	-	-	-	(1)	(1)
As at 30 June 2016	2,284,849	47,096	443,021	153,810	149,502	534,914	2,341,152	5,954,344

Financial assets at fair value through profit or loss

	Manufacturing RMB'000	Total RMB'000
As at 1 January 2016	4,780,120	4,780,120
Transfer in	-	-
Transfer out	-	-
Total losses		
– other loss	(1,599,009)	(1,599,009)
As at 30 June 2016	3,181,111	3,181,111

Financial liabilities at fair value through profit or loss

	Manufacturing RMB'000	Total RMB'000
As at 1 January 2016	3,540,206	3,540,206
Transfer in	-	-
Transfer out	-	-
Total losses		
– other loss	(1,623,109)	(1,623,109)
As at 30 June 2016	1,917,097	1,917,097

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

The following table represents the changes in Level 3 available-for-sale investments for the the year ended 31 December 2015.

Available-for-sale investments

	Restricted Equity Securities						Total RMB'000	
	Manufacturing RMB'000	Information transmission RMB'000	Financial industry RMB'000	Other industries RMB'000	Fund RMB'000	Debt securities RMB'000		Others RMB'000
As at 1 January 2015	494,131	94,470	-	-	-	-	2,097,725	2,686,326
Purchase	1,128,540	55,677	637,994	17,666	-	150,984	168,249	2,159,110
Arising from acquisition of a subsidiary	-	-	4,274	62,652	201,921	909,758	-	1,178,605
Transfer out	(479,225)	(94,470)	-	-	-	(367,877)	-	(941,572)
Total gains or losses								
- in other comprehensive income	445,468	1,613	937,188	(27,130)	(54,197)	(164,596)	125,760	1,264,106
- in profit or loss	-	-	-	-	-	-	(82,539)	(82,539)
As at 31 December 2015	1,588,914	57,290	1,579,456	53,188	147,724	528,269	2,309,195	6,264,036

Financial assets at fair value through profit or loss

	Manufacturing RMB'000	Total RMB'000
As at 1 January 2015	-	-
Transfer in	1,759,338	1,759,338
Transfer out	-	-
Total gains		
- other profit	3,020,782	3,020,782
As at 31 December 2015	4,780,120	4,780,120

Financial liabilities at fair value through profit or loss

	Manufacturing RMB'000	Total RMB'000
As at 1 January 2015	-	-
Transfer in	519,424	519,424
Transfer out	-	-
Total gains		
- other profit	3,020,782	3,020,782
As at 31 December 2015	3,540,206	3,540,206

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Capital management

The Group's objectives when managing capital are:

1. To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
2. To support the Group's stability and growth;
3. To maintain a strong capital base to support the development of its business; and
4. To comply with the capital requirements under jurisdiction's local regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures"), "The Provisions on Adjusting the Basis of Calculation of the Net Capital of Securities Companies (amended in 2013)" (CSRC Announcement [2013] No.37) issued by the China Securities Regulatory Commission (CSRC) and "Notice on the issue that security firms provide counter-guarantee for overseas wholly-owned subsidiaries" issued by Shanghai Securities Regulatory Bureau's 18 March 2014, the comparative figures have been restated in accordance with the related regulations, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio between its net capital and its net assets shall be no less than 40% ("Ratio 2");
3. The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
4. The ratio between its net assets and its liabilities shall be no less than 20% ("Ratio 4");
5. The ratio between the value of equity securities, derivatives held and its net capital shall not exceed 100% ("Ratio 5"); and
6. The ratio between the value of fixed income securities held and net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets minimises risk adjustments on certain types of assets as defined in the Administrative Measures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

53. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

As at 30 June 2016 and 31 December 2015, the Company has maintained the above ratios as follows:

	30.6.2016	31.12.2015
Net capital (RMB'000)	77,271,951	85,521,155
Ratio 1	1209.16%	1269.37%
Ratio 2	79.16%	84.57%
Ratio 3	52.00%	44.59%
Ratio 4	65.69%	52.72%
Ratio 5	51.46%	46.93%
Ratio 6	53.09%	68.63%

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China regulated by the China Securities Regulatory Commission.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

54. ACQUISITION OF SUBSIDIARIES

	Primary business	Date of purchase	The proportion of voting rights (%)	Transfer value (RMB'000)
Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	stock research sales consultation	31 March 2015 (London time)	100	148,779
Haitong Bank S.A	investment banking	7 September 2015	100	2,692,492
				2,841,271

Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")

On 31 March 2015 (London time), the court in the United Kingdom has sanctioned the acquisition offered by Haitong International (BVI) Limited ("Haitong BVI"), a wholly owned subsidiary of HISGL, to acquire 100% issued shares of Japaninvest Group plc ("Japaninvest") for consideration of JPY 2,878,200,000 (equivalent to RMB148,779,000). Japaninvest went public on Tokyo Stock Exchange and delisted on 26 March 2015 as approved by British courts and shareholders on 2 March 2015.

Japaninvest is engaged in providing pan-Asia equity research, analysis and sales advice for the benefit of investing clients. Japaninvest was acquired so as to extend the reach of its business network to international market and to establish an extensive institutional client base through research report releases, in turn presenting new business opportunities to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

54. ACQUISITION OF SUBSIDIARIES (continued)

Consideration transferred

RMB'000

Cash	148,779
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Acquisition-related costs amounting to RMB1.58 million have been excluded from the consideration transferred and have been recognized as an expense in the current period, within the other operating expenses in the consolidated statement of profit or loss.

Assets and liabilities recognised at the date of acquisition

RMB'000

Non-current assets

Property and equipment	1,794
Other intangible assets	40,337

Current assets

Accounts receivable	5,605
Other receivables and prepayments	7,150
Deferred tax assets	820
Cash and cash equivalents	11,189

Total current assets	24,764
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Total assets	66,895
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Current liabilities

Other payables and accruals	(26,800)
Tax liabilities	(450)
Deferred tax liabilities	(7,971)

Total current liabilities	(35,221)
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Net assets	31,674
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In the opinion of the directors of the Group's subsidiary HISGL, the fair values of the accounts and other receivables acquired (which principally comprised accounts receivable and other receivables) approximate the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

54. ACQUISITION OF SUBSIDIARIES (continued)

Goodwill arising on acquisition

	<i>RMB'000</i>
Consideration transferred	148,779
Less: Net identifiable assets acquired	(31,674)
Goodwill arising on acquisition	117,105

Goodwill arose in the acquisition of Japaninvest because the cost of the combination included a control premium. Except for the intangible assets recognized in 2015, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Japaninvest. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	<i>RMB'000</i>
Consideration paid in cash	148,779
Less: cash and cash equivalent balances acquired	(11,189)
Net cash outflow arising on acquisition	137,590

Impact of acquisition on the results of the Group

The business combination was completed at 31 March 2015. The revenue and profit of Japaninvest since the acquisition date included in the condensed consolidated statement of profit or loss for the six month period ended 30 June 2015 was RMB2,210,000 and RMB19,870,000 respectively.

Haitong Bank, S.A. (formerly Banco Espirito Santo de Investimento, S.A.) ("Haitong Bank")

On 7 September 2015, the Group's wholly-owned subsidiary, HTIH has completed the acquisition of BESI from Novo Banco for consideration of EUR379 million or equivalent to RMB2,692,483,000. The acquisition of BESI is to support the Group's global expansion plans both in the developed markets of Europe and the US and in the emerging markets of Latin America, Central and Eastern Europe and India. On 8 September 2015, BESI was renamed as Haitong Bank.

Haitong Bank is an international investment bank in operation and provides a wide range of investment banking services for institutional and individual clients in Europe, the Americas, India, Asia and Africa. The Bank's main operations are located in Iberia, Brazil, UK, US, Poland and India.

Consideration transferred

	<i>RMB'000</i>
Cash	2,692,483

Acquisition-related costs amounting to RMB31 million have been excluded from the consideration transferred and have been recognized as an expense in the current period, within the other operating expenses in the consolidated statement of profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

54. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognised at the date of acquisition (determined on a provision basis)

	<i>RMB'000</i>
Accounts receivable	1,105,813
Other receivables and prepayments	380,865
Cash and cash equivalents	104
Deposits with central bank	3,512
Deposits with other banks	394,536
Financial assets at fair value through profit or loss	4,987,623
Available for sale investments	2,715,400
Loans and advances	8,073,645
Derivative instruments	3,051,017
Financial assets sold under repurchase agreements	760,908
Assets held for sale	25,575
Property and equipment	90,788
Other intangible assets	110,571
Investments accounted for using equity method	187,676
Tax recoverable	140,120
Deferred tax assets	857,658
Deposits with exchanges	1,320,572
Goodwill	461,286
Other assets	63,032
Total assets	24,730,701
Deposits from central banks	434,065
Financial liabilities at fair value through profit or loss	415,280
Deposits from other banks	4,544,887
Customer accounts	2,177,961
Bonds payable	4,787,759
Loan and other borrowings	3,803,504
Derivative instruments	3,559,792
Provisions	150,375
Deferred tax liabilities	319
Other liabilities	497,197
Accounts payable	1,174,796
Other payables	594,324
Total liabilities	22,140,259
Net asset acquired at the date of acquisition	2,590,442

In the opinion of the directors of HTIH, the fair values of the accounts receivables and other receivables acquired (which principally comprised accounts receivable and other receivable) approximate the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

54. ACQUISITION OF SUBSIDIARIES (continued)

Goodwill arising on acquisition (determined on a provision basis)

	<i>RMB'000</i>
Consideration transferred	2,692,483
Plus: Other equity instrument	26,506
Plus: Non controlling interest	278,572
Less: Net identifiable assets acquired	<u>(2,590,442)</u>
Goodwill arising on acquisition	<u>407,119</u>

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

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Up to the reporting date, the initial accounting of the business combination, including the determination of the fair value of identifiable assets and liabilities acquired and measurement of goodwill or a gain from a bargain purchase are in the assessment process by the management of the Group. Thus, the disclosures are presented by the management on a provisional basis in the condensed consolidated financial statements.

Net cash outflow on acquisition of a subsidiary

	<i>RMB'000</i>
Consideration paid in cash	2,692,483
Less: Cash and cash equivalent balances acquired	<u>(394,640)</u>
Net cash outflow arising on acquisition	<u>2,297,843</u>

Impact of acquisition of Haitong Bank on the results of the Group

The business combination was completed at 7 September 2015. The revenue and profit of Haitong Bank since the acquisition date was not included in the condensed consolidated statement of profit or loss for the six month period ended 30 June 2015.